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## PLANNING FOR THE RECOVERY OF BRITAIN

### The Role of the Colonies in the New Economic Pattern of British Commonwealth and Empire Reconstruction

The economic crisis which appeared to have come to a climax when free convertibility of sterling was suspended last August 20, was simply and frankly explained by the Secretary of State for the Colonies, Mr. A. Creech Jones, in a personal message which he sent to the people of the Colonies. In collaboration with Britain the people of the Commonwealth and Empire are now devising means and ways for the conquest of the besetting problems, an inheritance of the war years and the subsequent uneven development of national economies. Conditions of greater stability and prosperity can and will be created when the deliberations of the British and Dominion Governments, whose representatives are now convening in London, will issue into new resolutions of not only economic but also political far-reaching importance.

The immediate economic need is to economise in imports not only from the American dollar area but even from the sterling area where, for example, British export capacity might be used instead to earn hard currency; and secondly to increase the production of goods which can save the expenditure of dollars or be sold for dollars. There are fortunately some signs that the dollar problem is not being allowed to go by default. The cuts announced by Mr Attlee were after all a little better than nothing. Complete cessation of all food purchases from the United States announced by Mr Strachey was a great deal more than nothing. And the gathering together of the forces of the Dominions foreshadowed in the announcements from Australia, New Zealand and South Africa is likely to make a perceptible impression on the present balance of world trade. All these countries and

Canada, India, Pakistan and Burma as well will have their representatives in London by September 11 when the meetings of the International Bank and Monetary Fund are due to begin and all of them are faced with the intractable common problem of cutting their demands for dollars. It is as reasonable and just that this situation should lead to increasing concentration on inter-imperial trade as it is that the sacrifices of Canada and Australia on Britain's behalf should have their due reward. If for the time being Britain cannot complete two of the classical triangles of international trade by paying these dominions in dollars for goods which they have sent to the U.K. and continue to send then Britain must undertake to pay them in goods. One cannot have it both ways. Always the dollar problem leads back to the joint problems of British production and British austerity. And since Britain must produce it is best to produce for the benefit of those who have the strongest faith in Britain.

The Colonial Empire can contribute to a large extent to the success of the economic plans which are now shaping. Economic development assisted and stimulated by the Socialist Government of Britain by Government investment and enterprise forms one of the main themes of present day colonial policy. In our issue of August 20, an informative account of the "Development and Production Increases in the British Colonial Empire" appeared which particularly outlined the operations of the Colonial Development Corporation. The personal message of the Secretary of State, which is published below in extenso, explains in which direction may be found the

most suitable practical ways and means for the coöperation of the Colonies with the Mother country. Although the special nature of the Colony of Hongkong precludes her from a very active part in Colonial collaboration, there are still many opportunities for Hongkong's intelligent integration with the world-wide plans of British economic recovery.

The message of the Secretary of State follows:—

*The Colonies are so closely linked with the U.K. in finance and trade that the economic stability of this country must always be of vital interest to them. But apart from that material interest the fortunes of the U.K. and the Colonies are linked by bonds of friendship—bonds which have been strengthened by the common effort made by the peoples of the British Commonwealth and Empire in the war.*

*In that common effort the U.K. and the Colonies alike put in the best and the most they could. The U.K. started with the greatest accumulated resources and threw them all into the struggle without reservation of thought of future material loss. That is why our present financial position is one of comparative though we believe temporary weakness. But against that weakness can be placed the underlying permanent strength which can be drawn in the interests of both Britain and yourselves from the natural resources and people of this country and those of its overseas connections. We can, I believe, if a common effort is made re-build a strength greater than that enjoyed before the war.*

*The basic position is that the U.K. which for many years prior to 1939 enjoyed a substantial income from overseas investments has now lost that greater part of that income as a result of having realised many of its investments and incurred large debts in the process of financing a war. It has therefore become difficult for us to go on paying from current income*



for our previous scale of imports, certainly we cannot do so without substantial increase of our earnings from the sale of exports. These difficulties have hitherto been mitigated and their true character partly concealed by a large proportion of our imports having been financed either under lease lend and mutual aid during the war or by the American and Canadian credits since the war.

The U.K. must now balance its overseas accounts without any external assistance of that kind. At the same time the country is still faced with the task of restoring extensive war damage and making up for arrears of maintenance during the war as well as undertaking other necessary and desirable developments at home and overseas.

The situation has been made much worse by the rise during the last 2 years in world prices of food and other primary products by drought and famine in many parts of the world and by the world shortage of American dollars. This shortage is due to the need of countries all over the world to import from the United States more than they can pay for with their current exports. As we ourselves are not able to replace the U.S. as a source of supply of goods other countries have been driven in order to acquire the necessary additional dollars to pay for these imports from America to require the U.K. to pay directly or indirectly in dollars for the goods we buy from them. This additional drain on our dollar resources has led to limiting the spending in the dollar area of sterling held by certain foreign countries.

The immediate problem of the U.K. remains the large adverse balance in dollar but the basic cause is our current inability to pay with exports for the goods we desire to import.

The measures which are being taken by H.M. Government fall broadly therefore into the two categories of reducing imports where that is possible and of increasing production whether in substitution for goods which would otherwise have to be imported or for direct export. These measures inevitably demand from the British people both sacrifices in consumption and an increased effort in production.

The Colonial territories can help in several ways. They can ensure that they do not add to the U.K.'s difficulties by themselves importing more than they can pay for with current earnings since that would involve using up Colonial reserves and asking the U.K. to export goods without any return in imports.

Secondly they can help by confining their imports wherever possible to a level below that of the actual earnings of their exports thereby adding to their financial balances and strengthening their financial balances and strengthening the general position of the sterling area. The restriction of imports for

## THE EXCHANGE VALUES OF CURRENCIES

### The Position of the Canadian Dollar — World-wide Shortage of U.S. Dollars

What are the main tests of the exchange value of a currency? The most obvious and fundamental test is its purchasing power: how much will the currency buy as compared with other currencies at existing rates of exchange? A second and closely related test is the current balance of the country's international receipts and payments—its current operating state-

ment with other countries. In a world in which reconstruction is far from completed and the conditions for expanding and well-based multilateral trade have not yet been fulfilled, it is also necessary to consider the balance of receipts and payments in scarce currencies, mainly U.S. dollars. This is the third test. The fourth consideration is the adequacy of the country's liquid resources of convertible exchange. The final test is the outlook: what do the citizens of the country and foreign investors and businessmen think of the country's future? If they regard it favourably they will be seeking to increase their investments and commitments in the country; if not there will be an embarrassing tendency toward an outflow of capital.

current consumption has the same practical importance in the Colonies as in the U.K. itself. It is particularly important that there should be no unnecessary expenditure in American dollars but is also in current conditions necessary that there should be the greatest possible economy in imports from any part of the world including the sterling area itself. Such imports e.g. from the U.K. make a call on export capacity which might otherwise have been used to earn hard currencies and correct the overall dollar deficiency. Practical ways in which this limitation can be given effect will be discussed with Colonial Governments.

Thirdly, many Colonial territories can help by increasing their production of goods which the U.K. at present has to pay for in dollars or of goods which can be exported and sold for dollars so relieving the immediate problem of deficiency of dollars in the sterling area as a whole. As in the U.K. itself only an increase in production can afford a satisfactory longterm solution of these difficulties. Restriction of consumption must be regarded as a temporary expedient which it would be most undesirable to continue as a permanent policy. The increase of Colonial production is therefore the major longterm contribution which Colonial territories can make. The needs of the world for food and raw materials offer unprecedented opportunity for the Colonies to develop their production and their trade on lines which as with all soundly organised trade will bring mutual advantage to both parties to it.

H.M. Government are anxious therefore to help the Colonies in every possible way in their efforts to increase production. Technical investigations in many fields are already being carried out in order to ensure that the Colonial territories are enabled to derive full benefit from their natural resources and capital for promoting undertakings will be available from the Colonial Development Corporation. But advice and money are not enough. The whole-hearted co-operation of the Governments and people of the Colonies is essential if Colonial production is to play its part in the rehabilitation of a world ravaged by war in the restoration of economic stability in the U.K. and in the Development of the Colonies themselves.

ment with other countries. In a world in which reconstruction is far from completed and the conditions for expanding and well-based multilateral trade have not yet been fulfilled, it is also necessary to consider the balance of receipts and payments in scarce currencies, mainly U.S. dollars. This is the third test. The fourth consideration is the adequacy of the country's liquid resources of convertible exchange. The final test is the outlook: what do the citizens of the country and foreign investors and businessmen think of the country's future? If they regard it favourably they will be seeking to increase their investments and commitments in the

country; if not there will be an embarrassing tendency toward an outflow of capital.

### The Purchasing Power of Money

The first and most important test of the value of a currency is its command over goods and services. If the purchasing power of a country's currency increases relative to that of other currencies at prevailing rates of exchange, then in a world where there is some degree of economic order and stability the balance of international receipts and payments is likely to be healthy and there is a good chance that monetary reserves will be sufficient and the economic outlook satisfactory.

At the present time, the Canadian dollar passes the test of purchasing power remarkably well. In terms of what it will buy, it is one of the strongest currencies in the world. Canadian prices have risen less than prices in most other countries and, even after allowance for the reduction in the foreign exchange value of a number of currencies, the purchasing power of the Canadian dollar is comparatively high.

Some indication of the relatively high buying power of the Canadian dollar can be obtained by comparing the rise in the Canadian price level over pre-war with the increases in other countries translated into Canadian dollars at existing rates of exchange. To give an example, wholesale prices in the United Kingdom have increased by about 70% over 1937-1938 but the exchange value of the pound has declined, and in terms of the more expensive Canadian currency the British price increase works out to less than 40%.

The most important comparison from a Canadian standpoint is, of course, that with the United States. Since, in this case, the exchange rate is now approximately the same as prior to the war, it is appropriate to make a direct



comparison of national price levels. Until 1946 the general movement of prices in the two countries was quite similar. But in the latter part of 1946, United States prices rose very sharply and a wide divergency appeared. At the end of the year, the U.S. index was 75% over the 1935-1939 average whereas the Canadian was up by only 45%. Since the beginning of 1947, Canadian prices have risen quite sharply but so have U.S. prices and the March figures put the U.S. level 86% over pre-war and the Canadian 56%. Thus, price comparisons both with the United States and elsewhere suggest that the Canadian dollar is, if anything, undervalued. Looking ahead, however, too much emphasis should not be placed on the high current level of U.S. prices. They have risen very sharply in a manner reminiscent of the price boom after World War I and the possibility of a sharp fall cannot be readily dismissed.

### Balance of International Payment

The second general criterion of the value of a currency is the current balance of receipts and payments with other countries. In more stabilized conditions, a country whose currency had a relatively high purchasing power or, to put it the other way, which had a relatively low price level, might expect that its exports would be stimulated and its imports retarded. In the aftermath of shortages of the second world war, however, there are unusual factors at work which alter this pattern. Canadian exports were already at extraordinary levels as a result of war demands. While the demand for peacetime exports has remained almost insatiable, munitions exports have declined abruptly and peacetime exports have been limited by productive capacity and by the heavy demands of the domestic economy. At the same time, the war-accumulated demand for imported goods and the high rates of consumer expenditure, capital investment and industrial activity have swollen the demand for imported materials, components and finished goods, despite the greater average advance in external prices.

Nevertheless, while exports are, of course, below their wartime peaks and imports are higher than ever, Canada's current balance of payments has continued to produce a net credit. In 1946 total receipts accruing from sales of goods, services, and other current transactions exceeded total current payments to other countries by something more than \$450 millions. This credit is, of course, not so big as the huge credits of the last four wartime years, but it is much larger than the credit balance of any year prior to 1941. If the period of reconstruction were finished, if comparatively unrestricted multilateral trade and exchange convertibility had become realities, this would represent an unusually strong position.

The facts, of course, are that Canada is financing a substantial part of her exports through large-scale loans designed to assist in reconstruction, to rebuild her trading connections and to sustain her exports at a high level. During 1946, \$750 millions of Canada's exports were financed by net export credits and advances, leaving about \$1,000 millions of credits still to be drawn upon. At the same time, imports from the United States were increasing rapidly, for which settlement was made in cash. While this situation was to be expected during the transitional period, it is clearly not one that could be permanently sustained.

### The Current Deficit with the United States

During 1946, Canada's deficit in her current transactions with the United States was about \$600 millions. As was to be expected there was a drastic change from 1945 to 1946. The principal influences in turning an approximate balance in 1945 into a substantial deficit in 1946 were the virtual cessation of U.S. purchases of war goods including expenditures in Canada for defence, and the marked increase in Canadian imports from the United States. At the same time, dividend payments to U.S. investors increased considerably and Canadian tourist expenditures in the United States were so much larger that they almost entirely offset the effects of increased expenditures by U.S. tourists in Canada.

The outstanding factor in the development of the current deficit is clearly the marked expansion in imports from the United States. Imports are still tending to increase more than exports and the deficit on merchandise account is widening. How long this tendency will continue is difficult to estimate. But there can be little doubt that a number of abnormal and temporary influences are operative. There is undoubtedly an important element of replenishment and replacement demand both for inventories and capital equipment in the current heavy volume of purchases from the United States. Consumer demand for imported goods and for Canadian goods with a substantial import content, which had not been available in quantity for some years, is extraordinarily high. Furthermore, normal or alternative countries of supply for a number of goods have not yet been able to restore their production and exports, with the result that Canadian demands for imports are concentrated more than ever on the United States. Last, but not least, is the abrupt rise in U.S. prices since the middle of last year. Whereas wholesale prices in the United States were on the average 20% higher in 1946 than in 1929 they were 57% above the 1929 level in March 1947—an advance which may to some extent be regarded as abnormal.

Despite the evidence that the current rate of imports from the United States is abnormally high, it does not

follow that any sharp decline is in immediate prospect. The abnormal conditions have not yet been corrected and some of them, such as the difficulty of getting supplies from other countries, may continue for a considerable time. Even after full allowance is made for these abnormal factors, there can be little doubt that imports would still tend to exceed exports to the United States by very substantial amounts. Canada's propensity to import from the United States is very great, especially in times of high manufacturing concerns on U.S. parts activity. Among the main reasons for this are use of U.S. methods of production, the dependence of many and components, the dependence on the United States for coal, oil, steel and other basic materials, the close proximity and ties between the two countries, and the acceptance of U.S. models and styles fostered by widespread and continuous exposure to U.S. media of publicity.

### The Size of Gold and U.S. Dollar Reserves

Canada was fortunate in arriving at the end of the war with greatly increased official reserves in U.S. dollars and gold—some \$1,508 millions valued in U.S. dollars at December 31st, 1945, as compared with less than \$400 millions at the outbreak of war. It was anticipated that these reserves would be heavily drawn upon during the transition period: the Governor of the Bank of Canada, testifying before the Senate Banking and Commerce Committee in August, 1946, had expressed the view that the reserve of U.S. dollars and gold might be halved in the next two years. Thus the loss in 1946 of \$260 millions odd, bringing reserves down to \$1,245 millions, may not appear to be unduly great.

The deficit with the United States last year was \$600 millions but the loss in official reserves was less than half that much by virtue of other dollar receipts and of certain capital transactions. Most of the countries receiving credits from Canada have, as part of the agreements, undertaken to pay for a portion of their purchases in convertible foreign exchange. In 1946, some \$237 millions in gold or U.S. dollars were received through transactions with countries other than the United States. In addition, there was a net sale of U.S. securities held by Canadians of some \$50 millions.

In the present year, the drain on reserves may be larger than in 1946. The merchandise trade deficit this year has been notably higher than in the early months of 1946. As the year goes on, and particularly if there is some reaction in U.S. prices, the upward trend in the deficit may be checked and possibly even reversed. But taking the year as a whole it appears reasonable to expect a larger merchandise trade deficit than in 1946. A significant offsetting factor is that, in the words of the Minister of Finance, "this year we ex-



## HONGKONG INDUSTRIAL REPORTS

### CANNERIES OF HONGKONG

Before the war local Chinese canned food products went to any place where there are overseas Chinese. They were exported to U.S., Malaya, Netherlands Indies, E. & W. Africa, and particularly to China.

The Chinese canned food is prepared in a way that is peculiar to their own. Hence the canned food from China has a unique market. Since China was compelled to stop exports of canned food during the war years there accumulated a great demand for it right after the war which comes mostly from the overseas Chinese. The result was a state of prosperity for the local canneries.

Importers abroad consider Chinese canned goods as too expensive but the local manufacturers cannot reduce prices. The average price of food materials is about 100% over 1941 while the cost of production is from four to ten times pre-war. Wages have been raised four to ten times; pre-war wages were \$30.40 per month and today \$80.300. Before the war a box of 200 lb. tin sheets cost \$60 which the cost of making and printing the can was about \$120, making a total cost of less than \$200. Now the cost is about \$2,000.

The markets in the interior of China are difficult of access because purchasing power there is very low, import restrictions are several and the high customs duty of 30% on import,

of such products reduces sales. Chinese canned meat and fish meet with competition everywhere from the overwhelming amount of canned food which was manufactured for army supplies. The U.S. government may soon place a ban on Chinese canned food as it does not comply with the requirements of the American Pure Food Act. Many Chinese cans bear labels which misrepresent the contents of the can and sometimes there is a shortage in weight. The method of canning is often imperfect causing the food to decay before it reaches the consumers. Improvements must be made or the Chinese canneries will be prevented to export.

There are some 7 to 8 larger canneries operating here besides a number of small and unimportant factories. All kind of meat and fish, poultry and vegetables, fruits and sauces are canned. The output of sauces and gravies of some canneries here enjoy a wide reputation. Fish tins from here and Macao have also established themselves since many years and the high quality of the products of the leading factories is undisputed. Unfortunately for these factories there is a minority of manufacturers who have neither the experience, the necessary capital nor the good intentions to produce first-class canned goods. It is these people who are to be blamed for the lack of confidence in Hongkong canned foods which many foreign buyers (incl. overseas Chinese) show.

pect to receive substantially larger payments in convertible exchange from the United Kingdom and from a number of other countries." In addition, loans and advances through the World Bank and International Monetary Fund may help to ease the acute world-wide shortage of U.S. dollars.

### Economic Outlook

The final test of the value of a currency is the economic outlook for the country concerned. If its residents take a gloomy view of its prospects they will attempt to increase their assets in other countries, and foreign investors will likewise attempt to liquidate part of their investments. Under exchange control such actions can be severely restricted if not entirely prevented, though control of capital movements cannot induce foreigners to increase their investments in the country concerned.

Canada's economic position is a strong one in comparison with most other countries today. This country has come through the war with increased productive capacity, with a larger and more skilled working force, with a comparatively low price structure, and with an economic machinery that is functioning in an orderly manner. Canada has also developed greater independence and self-reliance and a much greater ability

to handle her own economic affairs. The nature of her resources and capital equipment, of course, continue to emphasize her great dependence on international trade, and if reconstruction proceeds successfully and if a multi-lateral and relatively free trading system is established, her future is bright. Even if the process of rebuilding production and trade in Europe and Asia is disappointingly slow, it is hard to believe that her position will not compare favourably with that of most other countries.

To sum up, there are clear and basic factors of strength in the position of the Canadian dollar. By the test of comparative prices, the currency is a strong one. By the test of the overall balance of receipts and payments, it also appears to be soundly based. The gold and U.S. dollar reserves are still substantial. The general economic prospects of the country are better than those of most others. The big question mark is the prospect for exchange convertibility under conditions of free and expanding international trade. That depends largely on recovery of production and restoration of economic order in the war-ravaged countries of Europe and Asia, which in turn depends heavily upon the provision of sufficient aid in U.S. dollars to permit the rest of the world to finance urgently needed purchases from North America.

### FIRECRACKER INDUSTRY

Local and Macao firecracker factories do a very good export business mostly to the U.S. and to Malaya with minor shipments to the Philippines, Canada, Australia, South Africa and Europe. The Macao factories, mostly operating on the island of Taipa where several hundreds of workers are employed, enjoy together with the three local factories very good business.

Chinese factories in the same line are located around Canton and in Chekiang province. Firecrackers are a traditional Chinese product and are exploded at almost any time when human beings can celebrate. To judge by the continuous firecracking noises in Chinese cities there should be unending celebration.

Demand for locally and Macao produced firecrackers would be much large if only the product could be improved. As it is only the cheap price of Chinese firecrackers secure a market abroad. The local and Macao manufacturers show little if any imagination otherwise they would have ventured into more elaborate fancy fireworks paraphernalia; those who have watched pyrotechnical galas know how very backward is the local product and why local manufacturers cannot be selling abroad in the big way. With cheap women labour almost any pyrotechnic articles could be turned out and sold abroad.

### THE BUTTON INDUSTRY

The button industry of Hongkong was very well developed before the war. The years 1939-41 marked the golden age of this industry. During these three years all countries who had been importing buttons to the Orient stopped their shipments. This brought on a period of prosperity to the local button industry which received increasing orders from Malaya, Indo-China, Siam, Dutch Indies and other countries in the Far East. Even though factories operated day and night, yet they could not fill the orders. Newer and bigger factories were then established to cope with this enormous demand.

During the period of the Japanese occupation, many factories here had to close down. The three largest factories were looted. Some smaller factories were able to do business.

After the war the small factories resumed business immediately and the larger factories did their best to obtain new machinery and raw materials. At present, there is a total of thirty odd factories in Hongkong, about ten being of considerable size.

The climax of prosperity in button business came during the nine months from April to the end of 1946. During the first part of 1937 business suffered



a great decline. Before 1942 each factory produced some \$50,000 worth of goods per month and exported \$500,000 to \$600,000 worth of goods every year. At present the monthly production remains about the same, considering the fact that the purchasing power of our dollar after the war is much lower the actual amount of production is only a fraction of what it was.

During the period of capacity production, the monthly output was 600,000 gross. At present the production is down to 400,000 gross. The reason for this drop is the following: Right after the war, as very little foreign goods came to the Far East, these markets depended upon Hongkong for part supply of buttons. The Hongkong industry then had practically a monopoly. At the beginning of 1947, foreign products arrived in large quantity and being products of finer quality, offering a choice of a great variety selling at a lower price, they found it easy to compete with the local buttons.

Foreign markets are now feeling the impact of plentiful supplies and Hongkong manufacturers find everywhere "buyers' resistance." Still there is enough room for the local product and if our prices only could be reduced the Hongkong button would make a much better showing abroad. The good pre-war customers of Hongkong must be regained but the quotations from our factories are so high that little business can be done in a buyer's market—and we are certainly slithering into this "predicament" from a manufacturer's point of view as far as buttons are concerned.

The China market has been, like for so many other traders, a serious disappointment and it looks as if this disappointment is going to last for a long time. Whenever one starts to talk about the "China market" merchants and manufacturers grow long noses.

Button manufacturing is a rather complicated process but skilled labour is the most costly item of expenditure. Some manufacturers here hope that cost of living will come down and labour wages will drop. Together with this development—which is still far from materialising—there is planned by many factory managers the radical improvement in quality and design of their buttons. Some Shanghai European ex-refugee stylists would do the local button industry a lot of good.

#### HAT MANUFACTURING INDUSTRY

There are thirty odd hat manufacturers in Hongkong producing the following kinds:—felt hats, cork hats, straw hats, caps, polo hats, white canvas hats, ladies and children headwear, hats for military & Naval personnel.

The most important articles are felt and cork hats; the former are produced and exported in the largest quantity, shipped mostly to Singapore and Siam. Cork hats are sold to Rangoon and Malaya, N.E.I. etc. The material for making felt hats is imported from Italy, U.S.A. and Australia. Cork comes here from Portugal. The soft wood for making tropical hats comes from Indochina. Hongkong hat manufacturers have recently used newer machinery and better material. As locally made hats are of good quality, usually of up-to-date style, selling at lower prices than imported ones, they have a wide market. Besides the local market, the manufacturers find their products welcomed in Canton, Shanghai, Swatow, Amoy and abroad local hats are sold in West Africa, South Africa, India, Burma, Malaya, Siam, Philippines. The industry had its highest development in the few years before 1941. During the period of occupation of the Colony the local hat factories remained closed, and many were looted of machinery and raw material. After the war the local factories made every effort to resume business and new machines were bought. Many of them are able to produce at the pre-war level; some even exceeded it.

The high cost of production is the main problem. The male workers receive weekly up to \$80 and the women workers \$24. This is almost ten times the pre-war level. It takes on the average three years to train a new apprentice.

The outlook for the local hat manufacturers is conditioned on the habits of the people living in Far Eastern countries, and since the hat wearing fashion has found less and less addicts all over the world most hat factories have been doing less business. Of course, the ladies are still spending much money on hats but the tropical hat industry is not producing for the benefit of fashionable ladies.

Hongkong gents are, in line with their European and American beaux, rarely wearing hats in summer except on certain occasions; winter however, sees the sporting of hats and caps. The sun helmet or topee does no longer enjoy much popularity here. The principal markets for local hatters will remain our Far Eastern neighbours and Africa. China as a customer for hats appears to be fading out. The competition of imported hats is strong particularly as regards better makes and more pretentious customers. It is a habit with modern Chinese to buy imported goods in preference to locally manufactured ones. In more than one way the European public can understand it although such views may not appear charitable towards the manufacturers' needs.

#### TOOTH BRUSH INDUSTRY

Like many other products manufactured in Hongkong, tooth brushes suffer from lack of demand from abroad. Before 1941 many tooth brushes were exported particularly to

Malaya. Most oversea Chinese in Malaya are Cantonese who are accustomed to the use of Cantonese tooth brushes and as a result Hongkong exported several hundred thousand tooth brushes annually. A great many of these tooth brushes were manufactured in Canton and Fatsan. During the two years before 1941, much improvement has been made in the manufacturing and the packaging of tooth brushes in order to expand business. Chinese tooth brushes were then able to compete with foreign ones because Chinese labour was cheap and good Chinese bristles and bones of fine quality were used.

The conditions now are quite different. Labour costs in China and here are very high. Raw materials now are not as good as before. At the same time the making by American and British manufacturers of Nylon and other synthetic bristles, produced on a large scale, reduced foreign cost of production. Being made and packed more attractively and scientifically the new brushes were not only able to take over the tooth brush markets formerly held by Chinese manufacturers but they are about to take the Hongkong and China domestic markets.

The future is certainly not hopeful. The advance of plastic articles in the daily hygiene of modern men and women is assured and tooth brushes made of synthetic fibres are superior to the natural product. It cannot take too long and most tooth brush manufacturers all over the world will be out of business. The Hongkong industry has had its time and can only hope to continue for a few years more until the rather aggressive sales policy of the modern gigantic industrial concerns will have reached, in their systematic sweep all over the inhabited globe, into the most remote areas.

#### GLASS INDUSTRY

Facing the constant competition from abroad of high quality, low-priced glass ware of all varieties, the glass industry in Hongkong has never really been developed. Although there were several large glass factories in Hongkong before the war, yet because they employed backward methods of production, they never could produce goods of high quality. Consequently, Hongkong had to import larger pieces of glass, all plate glass, cut glass, and glass ware of high quality. The cheap Japanese glass ware took the bulk of the market for lower grade glass. Whatever was left in the market could not support a local factory of any considerable size. Therefore, several attempts at developing some large factories here were frustrated. A large factory would have to employ technicians from abroad, to train a large force of skilled workers, to invest a large capital, to train salesmen for local and foreign markets.



## EXCHANGE & FINANCIAL MARKETS

### THE COMEBACK OF STERLING

Last week witnessed the extraordinary spectacle of further mounting quotations for the American dollar in the unofficial exchange market which finally topped HK\$593 for T.T. New York, although some transactions were done at even higher rates close to 600. By the end of the week the rate, however, was down to HK\$548, a consequence of the comeback of sterling in New York's free market and other international exchange markets.

Many a local sterling flight capitalist has lost by hastily converting his local holdings into US\$, and also some

At present there are about twenty larger glass factories in Hongkong. All of them are located at Tai Kok Tsui and Mongkok. They produce all kinds of common glass wares whenever there is demand for them in the local market and then they are made to order. Products include among others: lamps, lamp shades, flash lights, glass jars and bottles of all shapes and sizes, cups plate glass, utensils for daily use, for chemists. Some factories reclaim broken glass and secondhand bottles. Glass is made here by melting a mixture of silica, soda, borax, lime and nitrate.

Right after the war there was a great demand for window panes and for other glass wares to replace what had been broken during the war. As little or no glass was quickly imported urgent demand for glass in the Far East brought about a short period of prosperity for the local glass industry. The old factories resumed business and many new factories were established. At present business is very dull, less than half of what it used to be during the first 6 months of 1946.

This drop in business is due to the following reasons:—(1) Competition of imported glass of good quality sold at low price. (2) Singapore, the most important market for our glass products, has re-established its own glass factories. (3) Transportation charges are too high for glass wares which are both fragile and bulky. (4) High labour costs in Hongkong; a skilled labourer got \$20 per month before the war, now receives up to \$300 per month. (5) Hongkong Government export prohibition of glass.

Right after the war, all the 16 factories in Hongkong had a daily output of \$500-600 worth of goods and total production of the 16 factories was valued at about \$300,000 per month. To-day the production is only 3/5 of this. The daily output is down from \$500 to \$300; the staff has been reduced by one third; those employing before 100 workers now employ only 60.

China produce exporters who greedily waited for still higher rates than were offered from beginning to middle of last week had to look on—almost paralysed—when the unofficial rate took a sudden plunge.

There was a large turnover reported in the T.T. market but notes and drafts also changed hands in unusually large amounts. This flurry and agitation was brought about by the speculative public only; as was noticed already since the end of August a number of people entered the market who were complete strangers and who either acted because of fear that their local investments may become devalued (influenced by the oft-refuted rumour of a "sterling devaluation") or in the anticipation of cashing in on a situation which they never understood or even endeavoured to understand. These speculators only saw that the local US\$ rates went up, they heard that similar developments were observed on markets abroad, and that was just enough to induce them to risk several millions of HK\$. During the first week of September an estimated US\$ 2 to 2½ million were turned over on the T.T. market, and much over US\$ 1 million on the bank note and drafts market.

In addition to speculative demand for T.T. and some although very small merchant demand, there were gold importers rushing into the market who had or wanted to cover their commitments for gold bullion ordered from abroad. However, the demand coming from this sector was not strong compared to the speculative and flight capital demand.

The New York free exchange market improved last week until by Sept. 6 transactions were reported at about US\$ 3 per £. The sterling selling pressure has now subsided and the expected reaction has arrived. The pendulum is now slowly swinging back.

The highest and lowest US\$ prices during last week were: T.T. 593 (corresponding to a cross rate of US\$ 2.70) —548 (corresponding to a cross rate of US\$ 2.92). Drafts 575—535. Bank notes 581—530. There were daily strong fluctuations, rates changing by the half hour if not more often.

The Shanghai US\$/£ cross rate on the open exchange market of China quoted US\$2.95 while the black market was one or two points lower.

Cross rates from European markets, especially Switzerland, indicate that the unofficial quotation for sterling has substantially advanced during the last week and US\$ 3.20 and over were quoted in several Continental countries. It appears that sterling in Europe will further improve as a consequence of the changed economic policy of Britain who is determined to increase her trade with the Continent apart from re-directing of international trade by the Commonwealth and Empire.

The decline in US\$ quotations here has induced importers to place again orders in the U.S. At the excessive rates of Sept. 1-4 importing from America would have been very problematical; the domestic price level in the U.S. is today already so high that exports from America cannot easily be put through if the buyers have to cover exchange at the unofficial rate. Even at the current high although now reduced rate of US\$ notes or drafts, used by importers for depositing with local exchange association banks for the purpose of opening of L/Cs, imported goods from the U.S. are difficult to sell; the Exchange Control has stipulated that 10 percent over the import bill have to be paid in to banks—the additional amount being understood to represent the average importer's commission and profit—which means that unessential imports into H.K. or entrepot trade have to be calculated at over HK\$ 580 to the US\$, provided that the bank note unofficial quotation is \$530. As long as T.T. rates are about 10 percent higher than prices for notes and drafts importers will prefer to purchase notes and deposit them with the banks; in case of a narrowing down of the T.T./bank note margin only those importers who require the opening of an L/C will continue buying notes as they have no choice.

The speculative buying of US notes during last fortnight has caused an increase in prices of certain imports from the U.S. However, the decline in US\$ prices—provided that it lasts and deepens—will rectify the position; some retailers last week already advanced their prices of US imported goods with the excuse of "higher replacement costs." These shopkeepers are very sensitive to the fluctuations of the US\$ rates here, much more so than the importers. The easier position on the unofficial US\$ market should now be felt also in those shops and establishments who were somewhat premature by boosting prices. Some imports, it is true, were ordered at almost peak rates; these merchants may eventually have to take a loss.

**Maximum and Minimum Quotations on the Unofficial Gold and US\$ Market for the month of August (in HK\$ per tael and per US\$ 100):—**

	Highest	Lowest	Lowest price in 1947
Gold	388½	326	254
US notes	568	485	440
US drafts	568	489	454
T.T. N.York	585	505	482
(cross rate)	\$ 2.75	\$ 3.18	\$ 3.32)

### SHANGHAI EXCHANGE MARKETS

The open market rate for foreign currencies remained unchanged during last week until Sept. 6 when the US\$ quotation was advanced by CN\$2,000 by the Foreign Exchange Equalisation Fund Committee. The new open market rates are for US\$: CN\$39,500 buying 40,500 selling; Sterling: CN\$



116,500 b., 119,500 s. Hongkong dollar:  
CN\$ 7,250 b., 7,450 s. (crossrate  
£/US\$=2.95).

The black market rate which came up to CN\$48,000 towards the end of August declined and remained last week around CN\$42,000 per US\$. All financial transactions other than permitted by the Central Bank of China for essential and licensed imports, travelling expenses etc., have to be covered at the black market rate. Capital transfers, remittance of earnings by non-residents to their countries, financing of non-essential imports into China, etc. are going through the black market channels. T.T. New York is usually quoted at a premium against bank note rates but at times the two rates are at par. The T.T. premium increased some two months ago to over 15%, recently has been only about 2 to 5%.

The Central Bank of China has abandoned as from Sept. 3 its unrealistic gold buying price of CN\$490,000 per ounce; in its stead the Bank has adopted a gold buying price at the CN\$ equivalent of US\$40 per ounce to be calculated at the current open market quotation of the FEEFC. Accordingly the Central Bank should pay about CN\$1.6 million per ounce provided that gold sellers appear at all which of course is unlikely seeing that the black market transacts gold bars at between CN\$2½ to 2½ m. per ounce.

The current gold cross rate at which the black market calculates and deals in gold is around US\$57/58 per oz. However, the announcement of Central Bank of Sept. 3 with regard to the new gold buying price is at least some improvement although it has no practical importance.

Central Bank at the same time also announced a buying price for US dollar notes which is for the time being 3% lower than the T.T. buying price of CN\$39,500. Other but American notes are not bought by the Central Bank.

The daily increase of inflationary note issue is estimated by Chinese bankers in Shanghai at between CN\$20 to 25 billion. From Shanghai Clearing House weekly returns it appears that the note issue increases at the rate of some 50 to 60 billion per week.

#### TAIWAN DOLLAR EXCHANGE RATE

As from Sept. 1 the exchange rate of one Taiwan dollar has been officially (by the Bank of Taiwan in agreement with Central Bank of China) set at Taiwan dollar one to equal CN\$72. This upward revision is the third during 1947; the last appreciation of the Taiwan dollar was announced on July 3 when one Taiwan dollar was advanced to CN\$65 (from previously CN\$35). The black market rate for Taiwan dollar both in Taiwan, Shanghai and in the local market was usually about 10% higher than the official Bank of Taiwan rate, showing lack of confidence in CN\$.

*Commenting upon the new open market exchange policy of China as from August 18, the London Economist stated:—This movement towards flexibility, which will enable the authorities to keep in touch with the moving situation and should prevent the recurrent freezing up of the official market, will remove an important impediment to trade. It would be unwise to suppose, however, that it will necessarily or rapidly prepare the way for stabilisation. The persistent depreciation of the Chinese dollar, though in part a direct reflection of the general disorganisation and civil disturbances, results primarily from the continued financing of the Government by the crudest inflationary methods. Until some steady source of revenue can be recreated and some semblance of order restored in the Budget, the pressure on the currency is bound to continue. But, in view of the former importance of the customs revenue, any step which tends to free the channels of external trade may make an important contribution to the financial problem.*

#### NOTE CIRCULATION IN COMMUNIST AREAS

The currency issued by the Communist authorities in North China is not circulated at par in all northern provinces. In Communist controlled Shansi the dollar in circulation there is equal to CN\$15; banks in Communist cities of Shansi exchange Chinese National dollars at that rate. In the province of Shantung as far as under control of the Communists the official exchange rate is still more unfavourable for CN\$ which is traded in major cities at local currency one for CN\$20.

#### SURRENDER OF CHINESE ASSETS ABROAD TO CENTRAL BANK OF CHINA

The National Economic Council resolved on Sept. 5 that "all Chinese irrespective of their domicile" should have to surrender their assets in foreign exchange held in foreign countries, such assets to be sold to Central Bank of China at the open exchange rate. In case of information being not supplied by Chinese suspected of possessing deposits abroad and Chinese nationals refusing to sell their holdings, penalties not exceeding 5 years imprisonment shall be invoked.

The Council further accused American and British banks for their withholding of information on Chinese accounts; previously the Chinese Govt. attempted to persuade a number of foreign banks to disclose confidential information but the foreign banks did keep trust with their clients.

The Chinese Govt. has not yet approved the resolution of the NEC and it is doubted in Shanghai whether this resolution will become law.

While it is up to the Chinese citizens to decide matters affecting their domestic economy it is most improper to "ac-

cuse" foreign banks for their refusal to inform on their clients. The "accusing" attitude of NEC members is, to say the least, childish and should not deserve serious attention if it were not for another revelation of a popular Chinese trait springing from an inferiority complex, namely always to blame foreigners, in one way or the other, for national shortcomings and failures.

The fact is that graft and corruption, civic insecurity and planned monetary inflation, spreading civil war and Govt. interference in business, increasing Govt. trade monopolies and unsatisfactory conditions for investment and commerce, have induced many not unpatriotic Chinese to transfer their savings abroad, to emigrate altogether or to start some business in foreign countries. Furthermore, it is a well known fact that the principal holders of assets especially in America are political and military potentates of China, members of the privileged families and a comparative handful of nouveaux riches of the war and post-war years.

#### ANGLO-CHINESE COOPERATION

At a recent press conference in Nanking, Sir, Ralph Stevenson, H.B.M. Ambassador to China, told Chinese newsmen that, besides the lifting of the Chinese ban on foreign ships as regards inland river navigation, there are three problems which require urgent attention by the Chinese Govt, viz: the restoration of pre-war British property in China to their rightful owners; the fulfilment of Chinese obligations to the British personnel of the Shanghai Municipal Council; and the establishment of a committee to deal with British loans made to China for railway constructions.

Two years after the end of war there are still many British and other foreign nationals who are deprived of their personal properties, often by high-handed acts on the part of the Chinese military; the rightful claims of the former British and other foreign employees of the S.M.C. are not honoured; and there is no sign for a practical change of attitude by the Chinese Govt. as regards the servicing of pre-war loans.

#### GOLD TRANSACTIONS

In line with the collapse of the T.T. New York rate local gold prices declined drastically after having reached during the past week the peak rate, of 1947, viz \$405 per tael equalling about US\$56/57 per troy ounce at the peak price for T.T. New York. The lowest price of the week was \$374½.

Canton, Human and Hupei merchants paid during the earlier part of the week prices slightly higher than quoted at the local gold exchange but the amount actually shipped out of the Colony was small. Imports of gold into Macao were reported underway and



new sources for gold shipments into Hongkong and China seemed to open up almost easily. Actually gold contracts for import into Macao, all via Manila and by flying boats, were made during the previous week at about US\$48 per ounce, fob Manila; last week bullion brokers were able to secure contracts which reduced the price to about US\$45 also fob Manila. As the average cross rate here and in Macao and China is moving upwards of US\$55 per ounce, very good profits have been and will be realised in gold import business provided, however, that no decline in the gold cross rate upsets the calculations.

Market reports about impending arrivals of gold from Java and Siam where gold can be obtained at much lower prices than in Hongkong and China have influenced the market in a bearish way. There has been considerable gold smuggling from the Philippines into Amoy and from there into Shanghai; some arrests and confiscations were made but the trade is rather profitable—around US\$46/47 per ounce plus a small commission landed cost Amoy—and no interruption of this supply line is anticipated. A number of bullion brokers and exchange operators were detained last week in Shanghai which caused some nervousness.

**Official gold prices:** London 172/3 per fine ounce, New York \$35 (equals 173/6). **Current gold market prices:** Bombay (at 109 Rupees per tola, incl. 12½% duty) 436/— per oz., Alexandria (at 157 Piastres per dirhem) 321/— per oz. The Hongkong gold parity is HK\$138.958 per oz or about \$166 per tael against an unofficial gold price here of \$374 (closing Sept. 6) i.e. about 125% higher than parity. (The New York unofficial gold market is trading gold at about 20% over the official rate).

#### CHINESE DOLLAR EXCHANGE

On account of a Chinese holiday, the signing of the surrender document by the Japanese C-in-C on Sept. 3, 1945, in Chikiang (Hunan), the unofficial exchange markets did not operate last Wednesday.

Rates remained stable during the week, local spot and forward at par and insignificant movements in the Shanghai and Canton remittance rates. Highest and lowest rates for spot and forward respectively: \$143.139: \$143.138 (for one million CN\$). Shanghai

T.T. around \$130, Canton T.T. about 9 points higher. The Chinese dollar quoted here about 5% less than on the official open market of Shanghai and about the same as on the black market of Shanghai.

#### BANK NOTE MARKETS

Pound notes were in good demand which further strengthened the rate to over \$14. The improvement was much commented upon in the market although dealings in and quotations of pound notes have no bearing on the position of sterling. The travelling public only is interested in this business and some exchange shops speculate in these notes as a small side line.

Indochina piastres remained stationary but there is much expectation about an impending improvement in the Franco-Vietnam relations. The political conferences held here between the former Emperor of Annam and leading personalities of Vietnam may issue in the eventual settlement which has so often been predicted. The piastre should experience better rates in due time, at present it is quoted here at only about 25% of its official exchange value.

Nica guilders had good buyers and ruled firm around \$34 for 100 guilders. The current unofficial market here quotes guilders at only about 22% of their official exchange value.

Siamese baht or ticals improved further after a period of strength displayed here and in Bangkok. Only a few weeks ago the baht was quoted here under \$20 (per 100 baht) but last week it came up to \$26. Thus the current unofficial price quotes baht about 65% of its official exchange value (40 baht per £). At the end of August unofficial rates in Bangkok were about (in baht): £60 (notes), 76 (T.T.); US\$20 (notes), 21 (T.T.); HK\$4.20 (notes) 4.40 (T.T.)

#### HONGKONG & SHANGHAI BANKING CORP.

The Bank's office in Tokyo has been re-opened for business. Two other offices of the Bank in Japan, viz in Kobe and Yokohama, remain to be opened as conditions permit. Altogether 43 branch offices are now operating and 7 branch offices are awaiting resumption of business.

#### UNOFFICIAL MARKET IN CANADIAN DOLLARS

In the latter part of 1946, after the return to parity with the United States dollar, the Canadian dollar was quoted at a discount in the so-called unofficial market in New York. The existence of a spread between the official rate and the rate quoted for the Canadian dollar in the unofficial market in the United States is not a new phenomenon. In June 1940, for example, the unofficial quotation in the New York market averaged 10 per cent lower than the official rate and for the year 1940 as a whole it was 5 per cent below the official rate.

Although the phenomenon is not a new one, the recent emergence of a discount on Canadian funds in the unofficial market in the United States has attracted considerable attention and it may be useful to outline briefly the significance of this market. The most important fact about the unofficial market is that transaction in it are entirely restricted to non-residents. Any resident of Canada requiring funds for expenditure in the United States for authorized purposes is able to obtain them through the official market at the official rate. Furthermore, no resident of Canada coming into possession of United States dollars is ever authorized to convert them into Canadian dollars through the unofficial market. All foreign exchange transactions in which residents of Canada are authorized to engage take place at official rates of exchange.

Moreover the great bulk of the transactions which non-residents have with Canada take place at the official rate of exchange. Foreign exchange is provided at the official rate to pay for imports, for travel expenditures, for services of all types, and for the income earned by non-residents on their large investments in Canada, including the income which is paid to them in the first instance in the form of Canadian dollars. Foreign exchange is also sold to residents at the official rate to enable them to pay off debts to non-residents which are payable in foreign exchange.

There are, however, certain types of capital payments to non-residents which, under existing arrangements, are not eligible for conversion into United States funds out of Canada's official reserves. Examples of such payments are the proceeds of permitted sales of securities by non-

#### HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

	Gold per Tael		CN\$ (per one million)				S'hai Canton		US\$ (per 100)		(per 100)		Pound			
	High	Low	Spot	Forward		T.T.	T.T.	Notes	Draft	T.T.	I.C.\$	Guilder	Baht	Note		
Sept				High	Low	High	Low									
1	398	384	141	139	141	138		130	138	576	574	591	14½	34	24	13.50
2	394½	386½	142	141	140	139		128	138	572	571	585	14	34	24½	13.50
4	405	391	143	141	143	141		132	141	580	574	590	14½	34½	23½	13.80
5	393½	380	142	142	142	141		130	139	565	562	578	14	34	24½	14
6	382	374½	141	140	140	138		128	138	545	545	555	13½	34½	26	14.10



residents in Canada and the proceeds of maturing obligations which are payable in Canadian funds. In such cases, and also in the case of non-resident bank balances, although United States dollars cannot be obtained from Canadian sources to effect a conversion, the non-resident concerned is free to transfer his Canadian dollars to another non-resident. This transfer of "inconvertible" Canadian dollars between non-residents is an unofficial market transaction; it takes place at whatever rate may be agreed upon between the non-residents concerned.

The use to which the non-resident acquiring Canadian dollars in the unofficial market can put them is limited. They cannot be used, for example, to pay for exports from Canada, as the regulations require that exports to the United States dollar area shall only be made for payment in foreign exchange. Nor can they be used to pay for most types of current services rendered by Canadians. The main use to which non-residents can put Canadian dollars acquired from other non-residents in the unofficial market is to make capital investments in Canada, e.g. to purchase Canadian domestic securities. In addition, American tourists may also cover their Canadian dollar requirements in this way, though in practice it has been found in the past that the greater part of their expenditures has been covered by the sale of United States funds in Canada.

In the light of the restricted and highly specialized nature of the unofficial market for Canadian dollars it is that the rate quoted in New York has limited significance. All but a very small fraction of Canada's international transactions take place at official exchange rates. All current account payments to non-residents may be made in foreign exchange obtained in Canada at official rates. All of Canada's current receipts from transactions with the United States dollar area (except some part of Canada's tourist receipts) accrue in the form of foreign exchange. The significance of the unofficial market relates therefore mainly to capital items.

#### THE MARSHALL PLAN AND EUROPE'S RECOVERY

The New England Letter of the First National Bank of Boston included the following comments on the American policy for World Rehabilitation.

Although nearly two years have passed since VJ-Day, world progress has been disappointingly slow in the transition from war to peace. Industrial production in Europe is estimated to be about 20 per cent. below pre-war, as against nearly 99 per cent. above in the U.S.

Europe has ample manpower, resources, and the know-how for recovery provided her economy and trade were functioning. But the war caused serious economic and commercial dislocations, and millions of her people are impoverished and under-nourished. She is in desperate need of help, according to foremost authorities who have made a careful study of the situation. It has become increasingly apparent that the financial aid granted so far, although on an extensive scale, has not been effective, and its continuance along these lines would merely make for perpetual hand-outs. A new approach is necessary, and this is provided by the so-called Marshall plan.

The motivating force behind the Marshall plan is to make, as soon as possible, the European economy a going concern on a self-supporting basis. The initiative is to be taken by the countries of Europe, which are expected to present not only a balance sheet of their needs—such as food, coal, iron and steel, machinery, equipment, and the like—but also their contributions to a common pool. In order to have recovery on an effective basis, it is essential that there be freer movement of goods and materials between countries.

Provided the European countries can agree and formulate a workable programme, the United States will proffer financial aid, according to the Marshall plan. Toward this end the President has appointed three committees to make surveys in order to determine our capacity for extending help without jeopardizing our own economy. We should not make over-all commitments for \$25 billion, as has been suggested, in order to finance such a programme, but aid should be on an annual basis and contingent upon the European nations doing all in their power to help themselves.

It is a formidable task that we are being asked to embark upon, and stakes are high. But we cannot sit on the sidelines. "Splendid isolation" has gone with the wind in this atomic age. Two world wars in one generation are grim reminders that our fate is intricately linked with that of Europe, which would most likely be the breeding ground in the event of another war. So while we have time, every reasonable effort should be made to help repair war-torn Europe, which is such a dominant force in international affairs. Furthermore, we are vitally interested in world recovery, as our domestic economy is closely tied to foreign trade. At present, exports account for 10 per cent. to 15 per cent. of our national output. Europe is our chief customer, and before the war took about 42 per cent. of our exports and furnished us with 28 per cent. of our imports. At this time, our heavy exports—running at the

## HONGKONG AIRPORT RETURNS

Aircraft and passenger traffic at Hong Kong Airport, Kai Tak, for the month of August was as follows:—

	In	Out	Total
Passengers . . .	4,907	4,406	9,313
Aircraft . . .	253		

The increase of passenger was partly due to the industrial dispute which has caused the stoppage in the British section of the Kowloon-Canton Railway. The highest total in one day since the airfield has been in use was reached on 26th August when 591 passengers arrived or departed.

The following freight was handled. The figures do not include the airline companies' stores.

Commodity	Import (kgs)	Export (kgs)
Jewellery . . . . .	1	nil
Chemicals and Drugs . . . . .	2288	3095
Chinese medicine . . . . .	66	3634
Dyeing and Tanning Materials . . . . .	1003	1651
Foodstuffs and Provisions . . . . .	222	3272
Hardware . . . . .	1730	1374
Minerals and Ores . . . . .	60	249
Nuts and Seeds . . . . .	59	9
Oils and Fats . . . . .	4	9
Paints . . . . .	6	29
Paper and Paperware . . . . .	3316	3655
Piece Goods and Textiles . . . . .	3945	2393
Wearing apparel . . . . .	4953	2503
Gold Bullion . . . . .	nil	nil
Banknotes . . . . .	nil	nil
Sundries . . . . .	7553	13004
Total . . . . .	25206	34877

annual rate of around \$15 billion—are the principal sustaining influence to the boom. But the bulk of net exports is financed by grants and loans from the United States. This is an unhealthy situation, and must be corrected by setting up a system that will make it possible for Europe to be better able to pay her way.



## HONGKONG'S TRADE WITH KOREA

The recent establishment of a Korean trading company in Hongkong (Yue Fong Trading Co. Ltd) augurs well for the further increase of Hongkong-Korea commercial relations. The company is owned by Koreans only with Messrs. Lim Sen-up (Chairman of the Koreans' Residents Association, Shanghai) and Li Kai-sung as Directors in the Colony and several Korean business men as Directors in Seoul, the capital of Korea. The local manager is Mr. Han Te-djoo. The company is going to open offices in Shanghai and elsewhere in China as soon as trade between China and South Korea has been legalised by the Nanking Govt.

The Korean company has chartered one British ship of 4,400 tons which just left port for Taiwan and Korea. The ship has loaded 2 motor cars, 400 bales of raw cotton (from India), 50 tons of sugar, 100 tons of raw rubber (from Malaya), and is going to load in Taiwan several thousand tons of salt. By special permission of the Chinese Govt.—pending the formal Nanking permission for resumption of private trading with Korea—a contract involving 50,000 tons of Taiwan salt was concluded; the Korean company will, by way of barter, supply China with fruits, salted fish and other foodstuffs as required by Nanking. Upon her return voyage the Korean chartered ship will bring to the Colony raw silk waste silk, various minerals and ores, fruits, marine products etc.

Other companies are also engaged in trading with southern Korea on the same basis, i.e. chartering of ships and bartering of commodities. While trade between Hongkong and Korea is now progressing as well as can be expected under the present conditions, where the greatest obstacles remain the non-existence of foreign exchange rates of the Korean yen and the difficulty of regular communications with Korea, some trading via Macao is still carried on. The Portuguese ship "Macao," of only some 450 tons, has recently left the Portuguese Colony with no goods aboard after she returned from Korea some time last month bringing with her a quantity of commodities which could not be sold (bartered) in Korea. It is reported in Macao that a rather large amount of gold, from the recently imported stocks flown into Macao by flying boats, has been loaded on s/s Macao for the purpose of bartering bullion against Korean produce and minerals.

### Korean Trade Mission

The Korean trade mission which is working here since about beginning of August, composed of Messrs. Li Kipum and Kim Te-dong (previously mentioned in our issue of Aug. 13 when, however, their names in Chinese spelling were given) has been kept busy by conferring with many local merchants most of whom were Chinese. A number of Shanghai merchants have arrived here for the express purpose of investigating into the re-opening of trade with Korea via Hongkong and some Shanghai traders and finan-

ciers have established companies for China-Korea trading via Hongkong. Furthermore some 40 to 50 Korean nationals, residents of Shanghai or other Chinese cities, have also arrived here several weeks ago in order to participate in trade. The Korean trade mission's duty is of course to advise Korean business men as regards prospects and conditions of trading in and with Korea.

The trade mission has made a survey of local wholesale and retail prices with a view of submitting them from time to time to the Korean authorities i.e. principally the Bureau of Foreign Commerce and the Price Control Office, Seoul. In the beginning of Hongkong-Korea trade via Macao a number of local merchants, acting in the belief that Koreans would not be aware of world market prices of those goods which were intended for barter, were partly able to reap unproportionate profits while another group of merchants was less lucky since the Korean authorities had then already been informed of Hongkong and world market quotations. The short spell of Korean ignorance with regard to commodity market conditions and prices outside their country has long passed and barter trade is now a strict business proposition with prices for imported goods and exportable Korean produce being assessed by the Price Control Office at Seoul.

The trade mission here is fulfilling an essential job by investigating local market conditions and reporting subsequently to Korea. The Korean trade mission is being advised by USAMGIK liaison officer Mr. D. Cowin who was the first American (USAMGIK) officer who came (mid-December 1946) to Hongkong in order to establish relations between the Korean and Hongkong governments.

### Price Controller in Seoul

There prevails here the notion that trading with Korea is an unusually profitable affair; while no doubt in the beginning unusual profits were made the present form of trading guarantees about the same profit as realised in business with other foreign countries. The functioning of the Price Control Office in Seoul, which in effect controls foreign trade by assessing the barter value of imports and exports, has already led to considerable reductions of prices for imports into Korea and increases of prices for Korean export produce. The expected return of more normal trading conditions, made increasingly possible by frequent callings of foreign ships at S. Korean ports, will further equalise world market and Korean commodity quotations. The Price Control Office in Seoul as far as imported goods are concerned is acting on the basis of: for wholesale merchants plus 10%, and for retailers plus 30% of the assessed amount of the importer's bill. In case the importer and the Price Controller cannot agree on the value of imported goods, the importers are at liberty to return with their cargo.

## COMMODITY MARKETS

### TUNG OIL

With the current high T.T. New York rate, tung oil and other vegetable oil exporters to the U.S. (or to other countries where payment was stipulated and made in US\$) were reaping extraordinary profits. The local tung oil market has shown a weak tendency and wholesale prices have declined here as against mid-August contrary to the unofficial US\$ exchange rates which have been very firm since Aug. 20.

The large profits made solely on account of the unusually high US\$ T.T. rate were between 25/30 percent in the case of the total amount of the export bills could be sold on the open market, and between 20/25 percent in case of the surrender of 25 percent of the tung oil exporter's bill to the Exchange Control here. Similar profits were made in most other vegetable oil exports shipped to Europe and the U.S.

Coincident with the local weak market in tung oil the hausse in T.T. New York and the extremely low tung oil exports from Shanghai—a consequence of strong tung oil shipments to the Colony for re-export—there came as a proper windfall the advance in tung oil quotations on the New York produce market. Demand in the U.S. and a very eager market in several European countries has brought up the price to 26 US cents per pound in New York (fob US ports) and the tendency is still upward. Last week's native wholesale market price (excluding drum, local transportation costs and commission) for full strength tung oil was only \$143 per picul of 133-1/3 lbs.

On the average one pound sold last week between \$1.10 to 1.13.

Arrivals of tung oil now are as massive as during the past months; between 2,000 to 2,500 tons are regularly imported every month from China into Hongkong. The prospects for September business are as good as ever, traders estimate at least 2,500 tons to come here during the current month. On the other hand, Shanghai's exports of tung oil in June and July were particularly small, a consequence of the exchange regulations then in force in China.

Even the semi-official China Vegetable Oil Corp. (CVOC) has been compelled by reason of the exchange control exercised in China before Aug. 18 to ship directly or indirectly oil down to Hongkong where it could be sold against foreign exchange at the open market rates. CVOC has been responsible for most of the tung oil exports from Hongkong during recent months. A large quantity of oil arriving here from the interior of China by means of junks and other craft sailing in convoy of protective organisations (often



supplied by the fighting forces of China) has been purchased here by CVOC for export; in fact, much tung oil export business of the local office of CVOC is dependent upon the regular imports of oil from China although not all of these are recorded by the Chinese Customs.

The circumvention of the Hong-kong Export Control Order, 1947, by means of shipping tung oil (as well as the other two export controlled articles: rubber and tin) from here to Macao for eventual re-export to the U.S. has come to a complete stop after Aug. 16 (see our issue of Aug. 20, pp. 298/9). It was also CVOC who, for the purpose of saving the 25 percent of their export bills from surrender to H.K. Exchange Control—incidentally not a very cooperative attitude by an organisation partly owned and controlled by the Chinese Govt—transported much tung oil from here to Macao whence it was exported to its ultimate destination: New York.

#### Vegetable Oil Prices

Last week's vegetable oil prices were on the whole unchanged against the end of August but represent appreciable declines from the high prices attained during the third week of August when tung oil quoted almost \$170 per picul; the closing price last week was \$143 (on the native market here). Aniseed oil \$280, Teaseed oil \$197, Sesame oil \$260, Peanut oil \$238, Coconut oil \$125 per picul. Cassia oil (the principal essential oil for export) quoted \$1,000 per picul, a price which has remained stable for many weeks past, periodic fluctuations being around 5 percent up and down.

New York quotations (in US\$ cents, per pound) were last week on the average:—tung oil, in tank cars, fob New York, 26; aniseed oil 75 to 85; cassia oil 300 to 325; Soy bean oil, refined, 19/20; crude, 16; peanut oil, refined, 26; crude, 21; cottonseed oil refined, 25½ to 13½.

#### Coconut Oil In Siam

The price for coconut oil has recently dropped in Bangkok from 550 baht to 500 baht per 60 kilos which was due to the fall of prices in Hongkong, one of the main export Siamese markets for this product.

The price in Hongkong has declined from about 700 baht to 600 baht per 60 kilos partly because of the drop in the open market rate for Hongkong dollars (from about 5 baht per dollar to 4.62 baht). In addition Hongkong buyers have fulfilled contracts made with China and USSR and are not making any larger purchases for the moment.

Latest average Singapore quotation is 35 Straits dollars or about 295 baht at open market rates.

The lessening demand for coconut oil is affecting the copra trade in the southern provinces of Siam. A great quantity of copra arrived recently in Bangkok, but oil millers are reluctant to buy further stocks in view of prevailing conditions.

Latest average quotation for copra was 220 baht per 60 kilos.

End of August average quotations for native produce in Bangkok were (per 60 kilograms, in baht):

Dry cow hides 400, salted cow hides 300, dry buffalo hides 280, salted buffalo hides 170; shelled groundnut 200, unshelled 130; black sesame seed 160, bleached 280; shelled lotus seed 750; unshelled 350; black pepper 770, white 1,000; lampang sugar (per 100 kilo) 725, brown sugar 1st grade 270.

#### BRISTLES IN NEW YORK

Prices in U.S. cents F.O.B. New York, per lb. as follows:—

Hankow, Regular Assortments	3.35
Chungking, " "	2.05/10
Shanghai, " "	1.90
Tientsin, short 55's	2.60/70
Tientsin, regular 55's	6.25/50

#### METAL MARKETS

New York quotations in US cents, per pound:—

Chinese tin in ingots, 99 to 99.48 percent, fob New York, 78½ to 80. Wolfram ore about 31 to 32. Tungsten (98.8 percent) 305. Aluminum, 99 percent min., 30 lb. ingots, 15; Metallic Nickel, incl. 2½ c. duty, 35 to 35½; Antimony, 99½ percent, 33; Zinc, 10½ to 11½; Lead, 14½; Copper, 21 to 21½.

#### London Metal Prices

Consumers' buying prices officially fixed by the British Ministry of Supply. Prices are in £ per ton (2,240 pounds) and include duty and delivery charges to consumers' works.

#### COPPER

Effective July 14, 1947

		(Equivalent price in U.S. cents per lb.)
H. C. Electro	£132	23.75c
H. C. Fire Refined	132	23.75c
Fire Refined High Grade	131 10s	23.71c
Fire Refined Min. 99.7%	131	23.56c
Fire Refined Min. 99.2%	130 10s	23.53c
Wire Rods, Hot Rolled	138	23.83c

#### ZINC

Effective Jan. 1, 1947

G. o. b. Foreign	70	12.593c
Prime Western	70	12.593c
G. o. b. Domestic	70	12.593c
Refined and Electro	70 15s	12.728c
Minimum 99.99%	72 5s	12.99c

#### TIN

Effective March 29, 1947

Ingots, Min. 99%	437	78.62c
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#### LEAD

Effective March 31, 1947

Soft, foreign	90	16.191c
Soft, Empire	90	16.191c
English	91 10s	16.466c

#### ALUMINUM

Effective March 24, 1947

Ingots, home	80	14.39c
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#### ANTIMONY

Effective April 21, 1947

Regulus, English 99%	180	32.37c
Regulus, English 99.6%	190	34.18c



## HONGKONG'S BRISTLE TRADE

In the first seven months of this year Hongkong imported a total of 1,424 piculs of bristles, valued at \$1,387,631, and exported 2,167 piculs for \$2,141,091.

The average price paid by Hongkong importers was \$1,142 per picul in January, \$1,000 in February, \$988 in March, \$1,300 in April, \$991 in May, \$911 in June and \$951 in July.

Of our total exports, 49 per cent were absorbed by American buyers who paid an average price of \$1,337 per picul; 30 per cent by French purchasers who paid only \$347 per picul on the average; 19 per cent by U.K. traders who paid \$1,123 per picul and the remaining two per cent were taken up by Australian, Malayan and Siamese merchants.

Very little bristles were imported into the Colony during the first four months, though exports in January and February were considerable. Imports, however, picked up markedly since May with an average of 450 piculs brought in in May, June and July.

With the exception of March, April and May, exports were steady. In June imports were 869 piculs, while 471 piculs in January, 431 in February and 291 in July were imported here.

Like other produce, Chinese merchants prefer also to bring bristles into Hongkong from China through smuggling channels in order to avoid their unnecessary loss of foreign exchange. The quantity of our exports in seven months was 743 piculs greater than the total imports during the same period.

With the exception of some 1946 stocks the larger portion of the 743 piculs exported from here were smuggled into the Colony from China by regular bristles traders.

### Import & Export Figures

Imports for January to July 1947 were 56 piculs at \$63,969 in January, 40 piculs at \$40,000 in February, 33 piculs at \$32,600 in March, 40 piculs at \$52,000 in April, 456 piculs at \$451,000 in May, 301 piculs at \$274,374 in June and 193 piculs at \$473,697 in July.

Exports were 471 piculs at \$669,015 in January, 431 piculs at \$598,102 in February, 55 piculs at \$51,040 in March, six piculs at \$7,950 in April, 44 piculs at \$32,200 in May, 869 piculs at \$436,131 in June and 291 piculs at \$346,653 in July.

Of our total imports, 1,213 piculs at \$1,167,431 came from China, 188 piculs at \$209,000 from Burma and 23 piculs at \$11,200 from Malaya.

Of our total exports, 1,064 piculs at \$1,422,889 went to the United States, 659 piculs at \$228,532 to France, 416 piculs at \$467,500 to the United Kingdom, 18 piculs at \$5,220 to Siam, 10 piculs at \$16,550 to Australia and two piculs at \$400 to Malaya.

## SHIPPING REVIEW TRAFFIC BY JUNKS & STEAM LAUNCHES

During June and July 407,640 tons of motor and trading junks and steam launches under 60 tons arrived here and left Hongkong for various South China ports and Macao. They brought in and out of the Colony a total of 81,208½ tons of commercial cargo.

The total tonnage of trading junks and launches registered in these two months was 43 per cent more than the 284,378 tons of river steamers recorded for the same period. In these two months, river steamers brought here and left with a total of 27,236 tons of commercial cargo, whereas the trading junks and launches carried in and out almost 200 per cent more goods than the river steamers.

For the month of June, trading junks and launches of 174,777 tons came and left with a total of 34,309 tons of commercial cargo. When compared with May, the total tonnage of junks and launches entered and cleared showed a decrease of seven per cent; cargo recorded a drop of about 17 per cent.

Improved by 33 per cent against June, July's tonnage of trading junks and launches amounted to 232,863 tons. They brought into the Colony and left for South China and Macao with 46,899½ tons of goods, or 36 per cent more than those recorded in June.

In July, a total of 538 passengers arrived here and 2,580 persons left for South China and Macao aboard these trading junks and launches, leaving behind 2,042 persons. It is believed that there was a still larger number of Chinese arriving here aboard junks than the above figures suggest.

### Registered Craft

By the end of August, the number of junks, launches and other craft registered and licensed with the Hongkong Junk Office were: 257 motor trading junks and launches, 1,831 ordinary trading junks, 1,055 cargo junks and lighters engaged in conveying cargo inside the harbour, and 62 motor boats for carrying passengers in the harbour.

The exact strength of Hongkong's fishing fleet is not known. It is estimated that about 20,000 fishing boats are operating within the waters of the Colony. The prewar fishing fleet was far larger, however.

The present strength of cargo junks and lighters engaged in conveying cargo inside the harbour is about 60 per cent of the prewar total.

The only exception in which some improvement was achieved since liberation was the number of motor trading junks engaged in carrying commercial cargo between here and South China ports and Macao. In prewar days there were only some 50 motor junks and launches employed in this trade whereas now there are 257 craft.

Following are the returns of motor and sailing junks and launches under 60 tons: (in foreign trade):--

		ARRIVALS	
		Tonnage	Tonnage of Cargo
Junks ... ..	79,837	23,346	
Launches ... ..	3,315	352½	
Total ... ..	83,152	23,698½	
		DEPARTURES	
		Tonnage	Tonnage of Cargo
Junks ... ..	88,043	19,332	
Launches ... ..	3,582	278½	
Total ... ..	91,625	10,610½	
July:			
		ARRIVALS	
		Tonnage	Tonnage of Cargo
Junks ... ..	111,450	29,932	
Launches ... ..	4,172	336½	
Total ... ..	115,622	30,268½	
		DEPARTURES	
		Tonnage	Tonnage of Cargo
Junks ... ..	113,141	16,244	
Launches ... ..	4,100	386½	
Total ... ..	117,241	16,630½	

### RENEWAL OF HONGKONG PIER LEASES

The Piers Ordinance, 1899, will be repealed in toto and a new Ordinance will replace it. All pier leases uniformly expire on December 31, 1949, after which date the present or new lessees will continue to operate the piers in the Colony.

The Director of Public Works is in charge of granting now new pier leases so that lessees can rehabilitate existing piers and construct new piers without delay. Until now the question of renewal of old leases or granting of new leases has held up the rehabilitation work of several public and private companies, notably the two ferry operating companies (Star and Yaumati) who are now assured of the grant of a new pier lease which will mean that they can buy new ferry launches, rebuild the piers and construct new amenities for the benefit of the public.

Leases will be granted in the first instance for 15 years from 1st Jan. 1950, with an option for renewal for a further term of 15 years which shall subsequently be extended for yet another term of 15 years subject to mutual agreement between Government and the lessee. Rentals will be re-assessed at the end of each fifteen year period. No lease will continue beyond 31st December, 1994. (The lease by which the New Territories were ceded by China to Britain for 99 years was signed June 9, 1898).

The old rentals remain in force until the end of 1949 and new rentals will be charged as from Jan. 1, 1950 on the basis of a maximum of 24 cts. per square foot; basic maximum rentals will be applicable to the most advantageously located piers.



## INDOCHINA SHIPPING RETURNS

The foreign trade of Indochina (as far as Cambodia, Laos, Cochinchina are concerned) moves through the port of Saigon by and large. Shipping returns of Saigon reveal the recovery of Indochina after the end of war but they also prove how far the country is still from the state of prosperity which she enjoyed in prewar years.

Total inward and outward tonnage of ocean going ships for the first 6 months of 1947 as registered in Saigon amounted to 1,242,000, against a 1939 monthly average of 625,000 tons (33 million tons for six months). Commercial cargo discharged for the first 6 months amounted to 328,900 tons, and 192,600 tons of cargo were loaded for abroad. These figures show the heavy unbalance of Indochina's trade in 1947 which is dealt with elsewhere in this issue.

During the earlier part of 1946 the economy of Indochina was on its way to quick rehabilitation but the outbreak of war operations last December and the continued state of military indecision and guerilla fighting could not but tell on the trade and shipping of the country. Detailed returns of Indochina's shipping for Jan. to June 1947 will be found in the summary article "The Trade of Indochina" on another page in this issue.

The port of Haiphong has come back to life and over 42,000 tons of ocean shipping were handled there during June with 28 ships entering and leaving Haiphong. The June returns for Saigon show 193,600 tons i.e. about 350% more than Haiphong. The port of Campha registered in June 13 ships calling and leaving with a total tonnage of 21,100.

## CHINESE OBJECTIONS TO HONGKONG-CANTON SHIPPING

The Navigation Bureau of the Kwangtung Provincial Govt has petitioned some two weeks ago the Central Govt (Ministry of Communications) urging that regular (scheduled) foreign-flag shipping between Hongkong and Macao and South China ports (especially Canton) be prohibited by law.

The arguments of the Navigation Bureau, supplied by private shipping firms in South China, are based on the fact that foreign (particularly British) shipping between Hongkong and Canton offers more inducement to passengers and merchants and is in a position to reduce Chinese shipping by virtue of superior accommodation and management. Unless foreign shipping in the Canton River and between the British Colony and South China ports is curbed Chinese private shipping firms cannot expect to do better business than at present. The petition, however, does not want the complete banning of foreign shipping in the Canton River and suggests that infrequent, unscheduled services may be allowed between Macao-Canton and Hongkong-Canton.

Foreign shipping circles in China are not surprised about this petition from Canton as they are now used to this sort of anti-foreign propaganda from Shanghai shipping merchants. The Govt at Nanking is likely to pigeonhole the petition and to pay no attention to the private shipping firms who would like to monopolise China's coastal shipping without being able either to operate economical or efficient and reliable services. The very fact that the Chinese public as such prefers to use foreign ships when travelling from Hongkong to any China port reveals the shortcomings of the private Chinese shipping firms.

## CHINESE SHIPPING REPARATIONS DEMANDS

The Shanghai shipping merchants have established a reputation for unreasonable demands on Government, denunciation of foreign shipping interests in rabble-rousing fashion and unmitigated profit-seeking cloaked with patriotic phrases.

The following demands made a few months ago by the Shanghai shipping merchants' "Merchant Shipping Reparations Committee" with regard to dealing with Japanese reparations for Chinese shipping companies and the peacetime limitations to be imposed on Japan in regard to shipping are of no practical importance, however, they reveal the spirit and the mentality of these merchants very clearly.

The principal demand is concerned with the obtaining from Japan "as reparations" one million tons of shipping all of which has to come from ships to be built as from 1947. About 500,000 tons of shipping should be delivered by the Japanese up to 1952 "in the form of new vessels." The Committee urged the Government to approach the Far Eastern Reparations Commission as well as the United States USSR and Britain for the formation of a "Far Eastern Maritime Commission" on the pattern of the one disposing the German merchant marine. The proposed Commission should be entrusted with the distribution of Japan's current mercantile shipping and the restriction of Japan's future merchant tonnage.

Opposing the plans mapped out by SCAP regarding Japanese postwar shipping, the Committee set up a ceiling tonnage for the Japanese.

The Chinese Customs returns for June have now been compiled and merchant shipping at 800,000 tons as sufficient in their incompetent opinion for Japan's coastal and inland navigation. The Committee specified that each Japanese ship should not exceed 3,000 tons with the highest speed at nine knots.

Japanese ships should be strictly barred from navigation along the China coast, Korea and Sakhalin, while Japanese dockyards, capable of building ships of large tonnage, should be dismantled for reparations.

## THE FOREIGN TRADE OF CHINA

The trade returns for June 1947 reveal that the promises of trade improvement as suggested by the May figures could not be kept and that exports have materially decreased in June against May while imports increased slightly over May. Decreases in the principal export produce of China like bristles, tung oil and other vegetable oils brought about a higher trade deficit than was anticipated when May returns were made public.

It seems that imports, as far as recorded by the Chinese Customs, cannot be reduced to any considerable extent, on the contrary there is a distinct tendency towards improvement of imports if only for a few months to come. It is obvious that the heavy unbalance of trade cannot continue for a very long time although import financing from Chinese foreign exchange resources, kept safely outside the country, may temporarily relieve the position. Since the Chinese Govt. cannot take over foreign exchange holdings of their nationals—in spite of new legislation compelling Chinese to sell their funds abroad to the Central Bank of China—at least not to any sizeable extent, it would be probably the best policy to allow, with official connivance or by waiving of import embargoes, any quantity of imports

into China provided that they are financed from funds held in the U.S. and other foreign countries. Thus some good for China and her people would result as the dearth in imported goods could be relieved. Otherwise these funds will remain, at least from the point of view of the Chinese economy, useless. Estimates about Chinese flight capital abroad vary but it is certain that at least some US\$300 to 500 million are available from Chinese accounts mainly in the U.S. for the financing of imports into China. The foreign trade of China in June:—

	Imports		Exports	
	CN\$ billions	US\$ millions	CN\$ billions	US\$ millions
June ....	267	22	532	43
Jan./				
May ..	902	91	1839	206
Jan./				
June ....	1168	113	2371	249

During the month of June foreign exchange rates of the Central Bank of China remained unchanged. A full analysis of the January/May 1947 trade of China was published in our issue of August 27, pp. 315/318.

The trade of China for the first six months of 1947, as far as recorded by the Chinese Maritime Customs, results in a monthly export average of US\$ 18.8 million, import average US\$ 41½



million, and a monthly unfavourable balance of trade of US\$22.7 million. However, if the import figures are adjusted (see our issue of Aug. 27, page 321) to the proper landed value of commodities the monthly trade deficit of China would only amount to US\$18 to 19 million on the average. The current trend of China trade suggests that imports into China are about 100% larger in value than China's exports (calculated on the adjusted import valuation).

### CHINA TEA EXPORTS

Tea in China is grown in tea gardens and not on plantations, as in other principal tea-producing countries. Some trees were uprooted during the war years to provide land for the production of other food crops or cash crops, and others were neglected as a result of shortage of labour, desertion of property to flee enemy supervision or influence, and lack of funds by farmers to rehabilitate their gardens. The consensus is that approximately 40 percent of the tea bushes of China are nonproductive.

Data on tea stocks and production in China are provided by Chinese tea exporters and merchants, the China Associated Tea Corps, and leading foreign exporters of China tea. All information is based on estimates. Present production capacity is estimated at about 266,000,000 pounds, or about 40 percent of average production in 1934-36. Production in the 1947-48 season is expected to reach 399,000,000 pounds.

Estimates of stocks available for export at principal ports range from 4,077,000 pounds to 8,300,000 pounds. Stocks at Shanghai are estimated to be between 4,000,000 and 8,000,000 pounds. The only other port where cargo is reputedly available is Foochow where there are 77,000 to 300,000 pounds. Approximately two-thirds of the stocks are green teas, the remainder black. Some commercial sources state that the majority of stocks at ports comprise old tea from the 1946 or earlier crops, of which perhaps 30 percent may be unsound or unsuitable for export.

Transportation from up-country to port is irregular, fairly adequate only on water, and then only in certain regions (Yangtze River), but it is costly. Overland transportation to waterways is inadequate and considered uneconomical for anything but a short haul. The cost of river transportation has increased sharply because of frequent tolls and commandeering of bottoms by military authorities.

It is believed that 10,000,000 to 30,000,000 pounds of China teas suitable for export may be available, during the 1947-48 season, of which about 28 percent will be green teas and 72 percent black.

## LEADING CHINESE EXPORTS

In the following the principal Chinese exports for the period January to May 1947 are enumerated; values are given in millions of Chinese dollars; comparisons are given only in quantities for the period January to May 1946.

In the previous issue leading Chinese imports were published; in our issue of August 27 an analysis and full account of Chinese trade for the first five months of 1947 were published.

	Kilograms		CN\$
	1946	1947	1947
Bristles .....	813,576	1,896,820	102,019
Australia .....	606	38,407	2,410
Belgium .....	—	23,203	687
British India .....	—	1,754	105
Canada .....	—	3,994	307
France .....	—	13,610	219
French Indo-China .....	—	182	6
Great Britain .....	1,513	345,614	13,624
Hongkong .....	18,720	106,366	2,548
Italy .....	—	1,512	85
Norway .....	—	873	81
Sweden .....	—	3,399	68
Switzerland .....	—	1,250	30
U. S. ....	781,387	1,200,815	79,112
U. S. S. R. ....	11,350	154,224	2,676
Other Countries .....	—	1,617	55

Practically all bristle exports were shipped from Tientsin (833,510 kg) and Shanghai (990,004 kg).

	Quintals		CN\$
	1946	1947	1947
Beans, Yellow (Soya Beans) .....	852	422,285	59,473
Denmark .....	—	1,500	330
France .....	—	58,055	8,127
Great Britain .....	—	151,345	17,855
Hongkong .....	487	27,404	2,535
Italy .....	—	69,060	13,711
Macao .....	29	1,067	104
Netherlands .....	—	67,250	10,615
Philippine I. Straits Settlements .....	336	632	94
Sweden .....	—	22,921	2,871
Other Countries .....	—	23,001	3,220
.....	—	50	7

Exports were shipped from Chingwangtao (350,933 quintals), Shanghai (27,893), Tientsin (24,308), and other ports.

	Quintals		CN\$
	1946	1947	1947
<b>Oil, Wood (Tung Oil) .....</b>	<b>2,570</b>	<b>346,591</b>	<b>208,029</b>
Australia .....	—	1,153	837
Belgium .....	—	1,517	882
British India .....	—	131	149
Denmark .....	—	478	139
Egypt .....	—	102	28
France .....	—	1,616	1,078
Great Britain .....	—	51,784	49,695
Hongkong .....	1,494	187,882	88,317
Italy .....	—	4,456	2,567
Japan .....	—	76	57
Macao .....	—	193	92
Netherlands .....	—	5,530	4,194
Norway .....	—	2,304	839
South Africa .....	—	688	556
Straits Settlements .....	—	3	1
Sweden .....	—	4,830	3,144

U. S. ....	1,076	83,695	55,313
Other Countries .....	—	153	133

Exports were shipped via Hankow 158,682 quintals, Canton 85,380, Kowloon 59,651, Wuchow 41,935 quintals.

	Quintals		CN\$
	1947	1947	1947
Other Vegetable Oils ..	14,965	13,573	
Belgium .....	1,203	890	
Burma .....	1	—	
Great Britain .....	10,262	10,753	
Hongkong .....	451	254	
Italy .....	2,540	2,486	
Norway .....	274	53	
Philippine Islands .....	1	1	
Straits Settlements .....	3	1	
Siam .....	48	47	
U. S. ....	182	84	

There were only 7 quintals exported in 1946. Most shipments in 1947 were made through Shanghai (14,438 quintals).

### Groundnut Oil

For January to May 1947 a total of 15,971 quintals valued CN\$7,889 million were exported, against in 1946 only 283 quintals. Countries of destination were: Hongkong with 8,445 quintals, Italy 1,755, Belgium 1,524, Canada 1,276, Holland 1,079 and other countries. Ports of shipment mainly Shanghai with 7,435, and Swatow with 3,747 quintals.

### Tea (Teaseed) Oil

1947 exports totaled 12,171 quintals valued Chinese dollars 7,251 million. During first 5 months 1946 only 397 quintals were exported. Countries of destination mainly Hongkong with 9,336 quintals, US with 1,819, and Britain with 1,016 quintals. Most shipments were made through Canton (8,655 quintals) and Shanghai (2,835 quintals).

### Essential Oils

Total Jan./May 1947 exports 251,270 quintals valued CN\$3,358 millions, shipped to Hongkong 207,546 quintals, the U.S. 32,739 quintals and some other countries. Most exports were cassia oil.

### Tea

Total exports in Jan./May 1947 valued CN\$34,763 million, principal countries of destination were: Egypt, France, Britain, Hongkong, Persia, the U.S. and North Africa. Main ports of shipment Shanghai and Taipei (Formosa).

Black congou tea exports totaled 3,781 quintals, other black teas 25,304 qu, black brick tea 15 qu, green brick tea 481 qu, green gunpowder tea 2,235 qu, green hyson tea 330 qu, various other teas 5,703 qu, unfired tea leaf 719 qu; the largest group of tea exports was ordinary green tea which amounted to 35,074 quintals, valued 20,173 millions. Exports during the same period in 1946 were practically negligible.



	Kilograms		CNS
	1946	1947	1947
<b>Silk, Raw</b>			
White, Steam			
Filature ...	174,100	227,595	17,710
Australia ...	—	3,013	166
Belgium ...	—	888	69
British India ...	—	35,058	2,985
Burma ...	—	10,798	1,127
Egypt ...	609	—	—
France ...	2,422	6,814	505
French Indo-			
China ...	—	16,258	2,362
Great Britain ...	—	14,585	1,588
Hongkong ...	—	4,131	318
Switzerland ..	—	2,425	329
U. S. ....	171,069	73,750	4,295
U. S. S. R. ...	—	59,875	3,960

### Cotton, Silk and mixed Piece Goods

Total value of 1947 exports CNS\$ 69,104 millions; principal countries of destination (in millions of Chinese dollars): Hongkong 47,168; India 6,691; Philippines 5,366; Aden (probably for Abyssinia and North Africa) 2,420; Malaya 1,660; Siam 1,343.

Principal items under this group were: cotton shirtings and sheetings 3,097 quintals, valued 9,875 million; nankeens 4,754 qu, 12,270 million; various cotton piece goods 10,825 qu, 31,590 million; silk piece goods 37,872 kilos, 6,106 million; silk and rayon piece goods 44,182 kilos, 4,449 million; Honan silk pongees 11,218 kilos, 1,532 million; various silk pongees 11,130 kilos, 1,122 million.

### Other Textile Products

The export value for first 5 months 1947 was CNS\$17,129 million; chief destinations (in millions of CNS\$):—Hongkong 6,167; U.S. 4,837; Malaya 2,756; Philippines 1,939.

Principal items under this export group: towels 1,591 quintals, valued 4,725 million; woollen carpets 3,056 qu, 5,025 million; handkerchiefs other than silk 188,874 dozen, 1,683 million; clothing 38,641 kilos, 1,958 million.

	Quintals		CNS
	1946	1947	1947
<b>Wolfram Ore</b>	12,964	16,781	5,355
Hongkong ...	—	4,280	902
Sweden ...	—	1,001	1,572
U. S. S. R. ...	12,964	11,500	2,875
Shipped through:			
Shanghai ...	12,964	12,501	4,453
Canton ...	—	1,220	170
Kongmoon ...	—	10	1
Wuchow ...	—	3,050	730

	Quintals		CNS
	1946	1947	1947
<b>Antimony Regulus</b>	40,494	13,643	
Belgium ...	1,150	672	
Canada ...	3,400	2,834	
France ...	3,506	728	
Hongkong ...	25,354	7,048	
Netherlands ...	2,115	1,013	
Sweden ...	900	513	
U. S. ...	4,000	768	
Other Countries	75	64	
Shipped through:			
Shanghai ...	15,140	6,595	
Canton ...	845	59	
Wuchow ...	24,509	6,988	

## JAPANESE ECONOMIC REPORTS

### BANKNOTE ISSUE AND INTERNAL LOANS

The current issue of bank notes by the Nippon Ginko (Bank of Japan) amounts to 147.4 billion yen. The note issue is gradually rising, however, the most pessimistic estimates predict only some 10 to 20 billion yen further issue until the end of 1947. On the other hand, the promotion of foreign trade which is actively pushed by Government, SCAP and private merchants may lead to a curbing of the current slight upward movement of the note issue.

At the reported eventual rate of yen in terms of US\$, between 100 to 200 yen per dollar, the total circulation of yen amounts to an equivalent of about US\$ 100 million only; at the official rate for the occupation army of 50 yen per dollar the current note circulation would amount to an equivalent of about US\$ 300 million.

The Japanese Govt. is going to float considerable loans for the purpose of promotion of foreign trade. The Trade Association (Boeki Kodan) has already obtained a 5 billion yen loan and a further loan of 20 billion yen is under consideration. Leading export industries will receive priority treatment by the Govt. who are anxious to obtain, through exports, sufficient amounts in foreign exchange not only for the use of financing essential imports but also to make payment to the foreign bondholders.

There were no exports in Jan./May 1946.

	Quintals	CNS
<b>Tin Ingots and Slabs</b>	27,382	11,570
Belgium .....	711	420
Burma .....	12,400	3,280
French Indo-China .....	2,000	400
Hongkong .....	11,773	7,245
U. S. S. R. ....	498	224
Shipped through:		
Shanghai .....	1,209	645
Canton .....	664	494
Wuchow .....	4,109	4,230
Kunming .....	10,500	3,545
Tengchung .....	10,900	2,725

There were no exports in Jan./May 1946.

### Menthol Crystals

Jan. to May 1947 exports totaled 53,509 kilograms (in 1946 only 22 kg), valued CNS\$8,687 million, shipped out through Shanghai (51,332 kg) and Canton (2,177 kg). Principal countries of destination:—U.S. 34,154 kg, Hongkong 7,374 kg, Britain 5,852 kg, India 3,107 kg, Belgium 1,224 kg.

Salt  
Exports totaled this year 85,227 tons against 34,300 tons in Jan./May 1946. The value recorded was CNS\$ 22,927 million. Almost all salt was shipped to Japan (84,441 tons) while Hongkong received 22,375 tons. Salt came from North China and Taiwan, the exports from Tainan port amounted to 40,660 tons.

There were furthermore 10,000 tons of refined salt exported from China in Jan./May 1947, valued 1,155 million (nothing in 1946). All exports originated in Taiwan and were shipped to Japan.

### PAPER INDUSTRY

The loss of southern Saghalien meant to the paper industry sharp reductions in newsprint and other paper production. Pre-war Saghalien (Karafuto) timber shipments to Japan accounted for almost 50% of required raw materials for the paper industry. The current policy of the paper industry is based on retrenchment and the reduction in better class paper production. Today the output of Japan's paper mills is practically only newsprint. The most important enterprise, Oji Paper mills, the largest paper factories in Asia, are responsible for some 80% of the total production, using mostly timber from Hokkaido. The rate of production is currently so high that large-scale felling of trees in Hokkaido has caused alarm in Tokyo and new sources for wood pulp are being explored in order to slow down the rate at which forests are now reduced.

The increased publication of news papers, magazines and books is dependent on the solution of the problem of pulp supplies. For some time to come Japan's export industries using paper and cardboard will be restricted in spite of the fact that the domestic market continues to keep consumption of paper on the lowest possible level.

### EXPORT PROMOTION

The Trade Board not only refuses to accept inferior products for export but will punish the manufacturers. Producers of inferior export goods will be made to bear all the losses resulting from manufacturing cheap export goods.

Some American businessmen now in Japan are seeking to establish offices in Japan and other foreign merchants are expected to do the same.

The immediate problem for Japanese traders is to win confidence of the world in the made-in-Japan goods.

The Trade Board reported last week that Japan's export industries are now showing steady progress in gaining prewar activities.

The manufacture of sewing machines, for instance, has reached its all-time high even topping its prewar production. Japan manufactures now 400,000 sewing machines per year as compared with the prewar annual output of 300,000. The bicycle industry has already regained 80 percent of the prewar production level and it is expected that within six months the output will top its prewar figures. At present, Japan is putting out 80,000 bicycles and 240,000 bicycle parts annually. The textile industry is 30 percent below its prewar level. Further progress is expected to be made shortly since the Allied authorities have given permission to release 10,000 bales of raw silk monthly to Japan's textile manufacturers. In the cotton textile industry, Japan has at present 2,800,000 spindles in operation and the number is expected to increase to 3,000,000 by the end of this year. Recovery of hides and leather products is also rapid. At present, Japan is



producing leather goods amounting to 30,000 tons per year—almost touching the prewar level. Production of ceramics depends on the import of dye stuffs of superior quality.

#### TRADE IN JULY

Chief buyers from Japan during July was the United States which bought nearly 22 percent of Japanese exports. Second to the United States was Great Britain which imported from Japan 17.86 percent of Japanese exports last month. Thailand came up as the third largest purchaser during the month of July, accounting for 13.04 percent of the total Japanese exports.

China in the month of July bought from Japan only .68 percent of her total exports.

In Japan's import trade, the United States practically enjoyed a monopoly, having sold to Japan during July 95.6 percent of her total imports. Egypt was second with 2.83 percent of Japan's total imports. China sold only half percent to Japan during the same month.

Japanese exports during July consisted mainly of fabrics and cotton clothes which amounted respectively to 61.39 percent and 43.93 percent of her total exports. During the same month Japan purchased food amounting to 68 percent of her total imports. Importation of fuels came next totalling 20.5 percent.

#### ESTIMATES FOR TRADING 1948/49

Japan expects to do US\$1,700 million worth of import and export business for the 1948-1949 fiscal year. The Japanese Government anticipates an unfavourable trade balance of 100 million yen since the provisional plan called for 900 million yen for imports and 800 million yen for exports.

During the 1948-1949 fiscal year, food and raw materials will still constitute the main imports. Japan expects to import US\$250 million worth of raw materials, US\$90 million fuel and US\$480 million worth of food.

Japan anticipates US\$800 million export trade, and US\$700 million worth of finished goods processed from imported raw materials. The remaining US\$100 m. will consist of goods manufactured from local raw materials. The 1948-1949 plan is only tentative and may be later revised, probably resulting in higher estimates.

#### WHALING EXPEDITIONS

Japanese banking establishments will finance the second whaling expedition to the Antarctic waters with a 730 million yen loan. Two whaling fleets will leave for the Antarctic early November, returning to Japan around March with an estimated catch of 2,000 whales.

Originally, the fishing companies requested loans amounting to 1,500 million yen for building whalers' repair stations and storing food and fuels. But the U.S. Reconstruction Finance Bank which floated the majority of the loan and 18 other banks agreed to grant 730 million yen in the first place.

## THE TRADE OF INDOCHINA

### The Trade of the first six months of 1947

	Imports		Exports		Balance Value Millions I.C.\$
	Quantities 1,000 tons	Values Millions I.C.\$	Quantities 1,000 tons	Values Millions I.C.\$	
Jan./June 1938	238.7	91	1,884.3	130.8	plus 39.8
Half year average for 1945	7.9	8.6	27.4	8.1	minus 0.5
Jan./June 1946	38	63.9	84.2	247.5	plus 183.6
July/Dec. 1946	109.6	226.8	170.1	388.8	plus 162
Jan./June 1947	94.7	363.4	106.2	210.6	minus 152.8

### Direction of Foreign Trade

Country	Imports for the first six months of 1948		Exports for the first six months of 1947		1938		1947	
	1000 \$	%	1000 \$	%	1000 \$	%	1000 \$	%
France	46,987	52	221,508	61	63,777	49	85,773	41
French Empire	4,025	4	13,139	4	6,580	5	18,487	9
U. S. A.	6,774	7	51,554	15	6,917	5	31,862	15
India	3,404	4	17,820	5	200	—	—	—
Hongkong	5,829	6	7,846	2	16,110	1	11,628	6
Singapore	3,207	4	675	—	13,073	10	34,195	16
Netherlands Indies	3,804	4	6,111	1	2,330	2	10,773	5
China	4,453	5	2,252	1	3,921	3	2,740	1
Japan	3,379	4	155	—	3,154	2	—	—
Others	9,090	11	42,369	11	14,721	12	15,144	7
Total	90,952	100	363,429	100	130,783	100	210,597	100

The unfavourable trade balance in 1947 has increased every month, viz \$4.3 million in January, 21.6 in Feb., 24.8 in March, 55.2 in April, 77.9 in May and 152.8 million in June.

Exports and Imports for Jan./June 1947 in millions of I.C. dollars:

	Imports	Exports
January	45.644	41.331
February	52.464	35.166
March	51.483	48.252
April	73.618	43.262
May	50.195	27.510
June	90.025	15.076

#### Principal Exports

Total exports for Jan. to June 1947 amounted to 106,200 tons, valued \$211 million compared to the 1938 six month average of 816,600 tons and \$114 million. Rubber, rice, maize, pepper were the principal export goods.

The export values (in millions of I.C. dollars) for the first six months 1947 were: rice incl. rice flour 64.5, rubber 101.6, pepper 14, maize 3.6 Salted and dry fish, tea, tin, colophane were the other leading export articles.

#### Principal Imports

Total imports for first six months of this year amounted to 94,500 tons against 159,600 tons in peace times (1938 average), and a value of 363 million piastres against about 60 million for the 6 months period of 1938. The inflation of I.C. currency is mainly responsible for the large amount registered as import value. In the accompanying tables comparisons for 1947 with June 1946 and 1938 (monthly average) will be found.

Leading imports during this year were: Gasoline and derivatives 23,220 tons, valued \$8.1 million; Metal goods 5,601 tons, \$13½ million; Sugar 5,544 tons, \$8 million; Jute bags 6,331 tons, \$15.3 million; Wheat flour

3,717 t, \$3½ million; 140 motor cars valued \$13½ million; Machinery and tools 2,583 tons, \$15.7 million; Paper and paper goods 1,443 t, \$9.6; Cotton goods 3,151 t, \$94½; Metals 3,572 tons, \$4.7 million; Wines 3,631 t, \$25 million; Spirits, liquors 1,183 t, \$16.2 million; Tobacco and cigarettes 877 t, \$4.7; Milk and milk products 1,165 t, \$5.2 million; Vegetables 1,457 t, \$4.6 million; Potatoes 2,705 t, \$3 million.

#### The Customs of Indochina

Since June 1, 1947 the Indochina Customs have ceased to compute import and export values in French francs and have started to compile values of declared imports and exports in Indochina piastres or I. C. dollars. The official exchange value of I.C.\$ is: 28.40 for £, 7.05 for US\$, and 1.79 for Hongkong dollar.

The statistics of the Customs only comprise the trade of Cambodia, Laos and Cochinchina as the rest of the country is not yet in a condition to resume regular trade with foreign countries.

#### Trade During June

Imports in June were the heaviest since October 1946 with 25,500 tons of cargo valued I.C.\$90 million. France's supplies accounted for 53% of the total followed by India (which shipped a large quantity of jute bags) the U.S. and countries of the French Empire, particularly Reunion from where 3,000 tons of sugar came.

Exports were the lowest since January 1946, aggregating 6,700 tons valued 15 million piastres. Principal buyers were France (65% of total), Singapore (20%), Hongkong and the U.S.

The unfavourable balance of trade of Indochina during June has further increased, it amounted to 74,949,000 piastres for June, and to 152,832,000 piastres for the first six months of 1947.



## FOREIGN TRADE OF INDOCHINA

IMPORTS	Units	1938	1946		1947			1947
		Monthly Average	June	March	April	May	June	First Six Months
Total Tonnage .....	1,000 T.	26.6	8.8	19.1	13.6	9.1	25.4	94.5
Total Value .....	1,000,000 \$	10	13	51	74	50	90.0	363
<b>Principal Countries:</b>								
France .....	1,000 T.	5.4	0.9	4.6	5.2	3.0	5.1	27.9
Fr. Empire .....	"	1.4	3.0	0.1	0.5	0.2	3.5	7.2
U. S. A. ....	"	1.4	2.0	5.8	2.6	1.8	1.9	14.6
India .....	"	0.9	2.6	0.8	0.5	—	4.8	7.0
Hongkong .....	"	2.5	0.3	1.2	0.9	0.4	0.6	4.0
N. E. I. ....	"	5.2	—	3.4	2.9	3.0	5.4	20.3
France .....	1,000 \$	5,374	4,190	33,840	47,950	30,280	48,379	221,508
Fr. Empire .....	"	438	659	580	1,235	780	6,028	13,139
U. S. A. ....	"	335	1,401	7,508	17,703	6,652	8,475	51,554
India .....	"	291	4,485	1,823	1,007	—	13,439	17,820
Hongkong .....	"	651	1,706	890	2,584	917	1,424	7,846
N. E. I. ....	"	478	—	845	816	886	1,578	9,111
<b>Principal Commodities</b>								
Milk Products .....	Tons	371	104	145	115	17	330	1,165
Wheat flour .....	"	1,585	—	2,510	360	—	—	3,717
Potatoes .....	"	185	5	261	656	264	429	2,075
Sugar .....	"	69	—	—	—	—	3,025	5,544
Tobacco .....	"	303	5	111	28	44	332	877
Vegetables .....	"	1,182	162	167	226	171	382	1,457
Wines .....	"	382	—	725	728	725	358	3,631
Spirits .....	"	23	7	205	168	178	148	1,183
Gasoline .....	"	7,157	532	3,546	3,023	3,941	7,017	23,220
Metals .....	"	1,652	1,632	934	1,252	523	229	3,572
Jute bags .....	"	1,530	2,504	545	416	—	4,501	6,331
Cotton goods .....	"	520	49	340	1,135	528	656	3,151
Paper .....	"	515	34	59	274	374	452	1,443
Machinery .....	"	242	68	228	118	224	285	2,582
Metal goods .....	"	613	155	1,167	2,030	508	833	5,601
Motor cars .....	Number	140	—	189	282	125	129	935
Milk Products .....	1,000 \$	268	559	1,094	405	171	1,396	5,246
Wheat flour .....	"	262	—	2,152	647	—	—	3,501
Potatoes .....	"	16	18	296	598	241	446	3,077
Sugar .....	"	13	—	—	—	—	4,452	8,069
Tobacco .....	"	287	96	577	136	298	1,730	4,764
Vegetables .....	"	135	759	520	814	550	1,282	4,651
Wines .....	"	116	166	4,418	5,033	4,172	3,646	25,077
Spirits .....	"	45	88	2,205	2,637	1,966	2,218	16,269
Gasoline .....	"	636	159	1,086	911	1,537	2,579	8,122
Metals .....	"	420	1,301	882	1,121	900	737	4,734
Jute bags .....	"	463	4,172	961	749	—	12,285	15,299
Cotton goods .....	"	1,617	711	9,278	32,650	16,440	18,003	94,558
Paper .....	"	353	222	634	1,337	4,190	1,994	9,653
Machinery .....	"	456	219	2,284	1,651	1,682	3,039	15,719
Metal goods .....	"	477	594	3,446	3,830	2,218	3,455	18,083
Motor cars .....	"	536	2,085	2,674	3,919	1,304	1,946	13,513
<b>EXPORTS</b>								
Total Tonnage .....	1,000 T.	136.1	11.5	15.2	24.4	12.3	6.7	106.2
Total Value .....	1,000,000 \$	19	54	48	43	28	15	211
<b>Principal Countries</b>								
France .....	1,000 T.	79.8	0.8	3.8	4.3	4.6	2.9	24.0
Fr. Empire .....	"	10.6	0.2	2.7	5.2	1.9	—	16.5
U. S. A. ....	"	2.0	8.5	3.8	3.6	1.5	0.2	9.1
Hongkong .....	"	14.3	1.3	0.1	1.0	0.2	0.2	9.7
Singapore .....	"	6.1	—	4.5	3.0	2.7	2.8	22.1
China .....	"	2.0	—	—	0.3	0.3	—	5.4
France .....	1,000 \$	9,073	5,492	16,470	11,170	12,820	9,814	85,773
Fr. Empire .....	"	1,139	1,394	2,693	5,238	2,288	1	18,487
U. S. A. ....	"	2,017	24,350	14,930	11,860	4,354	478	31,862
Hongkong .....	"	1,502	3,063	155	1,278	2,005	941	11,623
Singapore .....	"	1,877	736	13,840	5,585	7,781	3,085	34,195
China .....	"	171	—	—	207	184	7	2,740
<b>Principal Commodities:</b>								
Salt fish .....	Tons	2,661	485	—	130	136	216	634
Fish Products .....	"	794	—	—	344	336	502	1,257
Maize .....	"	33,110	—	2,127	—	—	—	3,115
Rice & flour .....	"	81,563	—	2,755	16,094	4,892	3,037	64,981
Pepper .....	"	458	847	181	—	60	72	770
Tea .....	"	28	—	—	—	11	—	65
Colophane .....	"	1	—	—	225	329	42	996
Rubber .....	"	4,835	8,502	9,412	6,178	5,270	1,851	27,921
Kapok .....	"	310	247	4	2	10	50	481
Tin .....	"	—	50	—	23	—	1	117
Maize .....	1,000 \$	2,992	—	1,935	—	—	—	3,620
Rice .....	"	8,163	—	3,031	18,400	4,665	3,280	64,553
Pepper .....	"	142	5,461	2,882	—	971	1,428	13,994
Rubber .....	"	5,171	24,298	38,240	20,240	16,399	5,250	101,640
Colophane .....	"	4	—	—	872	1,241	153	3,615



### INDOCHINA INDUSTRIAL PRODUCTION

	Units	1938 monthly average	1946 June	March	1947 April	May	June	1947 First six months
Oil .....	1,000T.	194.6	16.3	17.6	20.4	23.3	—	—
Cement (Tonkin) .....	"	22.2	4.3	2.6	3.1	4.9	0.4	16.1
Alcohol (Cochinchina) .....	1,000L.	1,830	218.7	312.8	302.7	293.7	307.9	1,412.3
" (Cambodia) .....	"	350	453.2	331.4	543.9	—	—	—
Beer (Cochinchina) .....	1,000 Hl.	—	2.8	9.4	10.3	10.2	9.6	55.1
Sugar .....	Tonnes	98	298	825	806	786	838	5,146
Salt .....	"	3,072	3,055	—	6	4,808	3,560	8,374
Tobacco .....	"	278	24	142	142	69	201	913
Oxygen .....	1,000 m3	—	5.0	14.0	12.9	12.3	12.9	68.6
Acetylene .....	"	—	2.0	8.1	7.3	6.2	7.6	38.8

### SHIPPING RETURNS

<b>Saigon:</b>								
Arrivals (Number .....	79	60	28	33	44	32	204	
(Tonnage .....	1,000 T.	324.0	168.5	105.2	96.8	124.3	82.6	624.6
Departures (Number .....	74	62	27	37	36	39	204	
(Tonnage .....	1,000 T.	301.0	190.3	109.7	98.4	100.2	111.0	612.3
Goods discharged .....	"	43.3	45.8	42.5	38.3	56.2	82.6	387.8
Goods loaded .....	"	142.4	35.6	31.4	44.3	24.3	25.5	192.6
<b>Campha:</b>								
Arrivals (Number .....	29	—	6	—	8	7	—	
(Tonnage .....	1,000 T.	86.0	—	13.5	—	16.4	11.4	—
Departures (Number .....	28	—	5	—	7	6	—	
(Tonnage .....	1,000 T.	81.8	—	11.8	—	14.8	9.7	—
<b>Haiphong:</b>								
Arrivals (Number .....	519	—	13	—	—	15	—	
(Tonnage .....	1,000 T.	206.7	—	10.7	—	23.4	—	
Departures (Number .....	518	—	11	—	—	13	—	
(Tonnage .....	1,000 T.	200.8	—	10.7	—	18.7	—	

## REVIEW OF THE ECONOMY OF BURMA

Burma, which covers a total area of 262,000 square miles, three times the size of the United Kingdom, falls naturally into three well marked divisions. The Western Hills running from the Tibet-Chinese border to the sea just west of the Irrawaddy Delta are sparsely populated and there is little beyond a primitive agriculture. On the east of the country lies the Shan Plateau with an average elevation of over 3,000 feet whose highlands are continued into Tenasserim; this area grows chiefly potatoes and soft fruit, but it is also the chief source of Burma's production of such minerals as lead, tin, silver, etc., whilst Tenasserim is the chief source of rubber.

The third and most important division is the central belt, which includes the valleys of the Irrawaddy, Chindwin and Sittang, in the northern or dry zone of which about half the land is devoted to paddy, and the remainder to ground-nuts, sesamum, vegetables, tobacco, some cotton, some sugarcane, whilst it is very important for teak and it contains Burma's only source of petroleum, which produced in 1939-40 about 275,000,000 gallons of crude oil, about half per cent. of world output. The southern part of this central section is delta and devoted almost entirely to growing paddy, of which Burma is one of the world's leading producers, with an annual crop of about 7,000,000 tons.

The total population, according to the 1941 census, was approximately

16,800,000, and even allowing for the large areas which cannot support more than a very limited number, population density is much less than in neighbouring countries. Rangoon, which handled 85 per cent. of the country's trade, with a population of 500,000 in 1941, and Mandalay with a population of 163,500, are the only large towns, and only three others, Moulmein, Bassein and Akyab, had populations of over 40,000.

Burma is predominantly an agricultural country; a number of crafts are practised and cottage industry is widespread, but prior to the war organized industry was negligible. Throughout the rice-growing areas there were numbers of small rice mills and in the ports a number of really large units; similarly there were sawmills in connection with the timber industry and an important oil refinery at Syriam. Smelting was carried on in two centres and concrete making at Thayetmyo, whilst oil presses and cotton ginneries had been set up in the growing areas, but due largely to the absence of basic raw materials there was little else.

Burma's chief export was rice, of which she exported annually some 3½ million tons, mainly to India; exports were valued in 1938-39 at Rs. 21 crores (£15½ million). Petroleum products were next in importance in the export trade; in 1938-39 she shipped, once again largely to India, Rs. 6½ crores (£5 million) of kerosene, Rs. 2 crores (£1½ million) of petroleum and Rs.

1½ crores (£1¼ million) of paraffin wax. Her position as sixth producer in the world of lead was reflected in her export of Rs. 2½ crores (£1¼ million); she also exported Rs. 2 crores (£1½ million) of wolfram, Rs. ½ crore (£375,000) of tin, and Rs. 1¼ crores of feeding stuffs. Export of teak represents a considerable factor in Burma's foreign trade; in 1937-38 exports were valued at Rs. 3½ crores (£2½ million).

In the main Burma's imports consisted of consumer goods, although there was a regular importation of machinery and stores for the rice mills, cotton ginneries, oil presses, etc. Imports of machinery in 1938-39 amounted to Rs. 1 crore (£¾ million) and of electrical machinery to Rs. ½ crore (£375,000) and imports of iron and steel represent another Rs. 1¼ crores (£1 million). The main items were, however, textiles, of which imports amounted to Rs. 8¼ crores (£6¼ million), Rs. 3 crores (£2¼ million) being for cotton piece-goods alone, and a further Rs. 1¼ crores (£1 million) for gunny bags and foodstuffs totaling Rs. 4¼ crores (£3¼ million). Vehicles represented another Rs. ½ crore (£375,000) and non-ferrous metals Rs. ¾ crore (£557,500). Included under the heading of foodstuffs were dairy produce, fresh and preserved fish, cereal products, tea, spices, pickles and edible oil; in addition there were included in the wide range of commodities imported tobacco, paper, glass and glassware, drugs and medicines, beverages, coal and coke.



## PRE-WAR TRADE

The basic pattern of Burma's trade before her occupation by the Japanese was thus the export of primary products, and the import of manufac-

tured articles of which consumer goods formed an important part. Until the Japanese occupation she enjoyed a consistently favourable balance on merchandise account as the following table shows:—

Movement	1935-36	1936-37	1937-38	1938-39	1939-40
	Rs. (Lakhs)				
Exports .....	48.63	49.91	50.66	48.48	54.76
Imports .....	20.83	21.80	23.85	20.79	25.23
Balance .....	+27.80	+28.11	+26.81	+27.69	+29.53

Note.—Rs. 1 lakh = £7,500.

## DIRECTION OF TRADE

Both as customer and supplier India was naturally in the lead by reason

of her proximity; as the following table shows the United Kingdom was Burma's second largest market.

Exports Figures in Rs. Lakhs		1935-36	1936-37	1937-38	1938-39	1939-40
Destination						
Total exports .....		48.63	49.91	50.66	48.48	54.76
Of which to:—						
India .....		27.65	28.05	25.28	25.82	32.35
United Kingdom .....		5.70	6.10	7.20	6.68	7.24
Germany .....		1.24	1.13	1.91	2.06	72
Japan .....		1.52	2.22	1.44	91	2.18

Purchase of rice by the United Kingdom normally amounted to 500,000 tons and the United Kingdom also took about a fifth of Burma's export of teak, a third of her paraffin wax, three-fifths of her lead and, three-quarters of her wolfram ore, in addition to being her only large buyer of animal foodstuffs, rice, bran, and groundnut cake.

The following table shows that the United Kingdom was some way behind India as a supplier, followed by Japan, an important supplier of cotton piece goods, the United States of America and Germany:—

Import Figures in Rs. Lakhs		1935-36	1936-37	1937-38	1938-39	1939-40
Sources						
Total imports .....		20.83	21.80	23.85	20.79	25.23
Of which from:—						
India .....		9.96	10.93	11.71	11.22	13.93
United Kingdom .....		4.74	4.14	4.79	3.91	4.32
Japan .....		2.36	2.39	2.09	1.42	2.02
United States of America .....		57	71	1.03	75	1.47
Germany .....		49	58	78	48	29

The United Kingdom's contribution Burma's imports of cotton piece goods was comparatively small by comparison with Japan, but she was an important supplier of iron and steel and of base metals and manufactures in addition to a wide variety of manufactured goods, machinery, vehicles of all kinds, paints, alcoholic beverages, tinned and bottled provisions, cutlery,

## EFFECTS OF WAR

The outbreak of the war in Europe made at first little difference to the general pattern of Burma's foreign trade beyond that occasioned by the disappearance of Germany as a buyer and seller and the increased demand for strategic materials such as tin, rubber, etc. The outbreak of war in the East and the rapid Japanese occupation of the country, however, completely put an end to Burma's foreign trade and when liberation came the country had been starved for some three years of consumer goods of all kinds; moreover they drove out the European and Indian firms which had been largely responsible for its conduct.

Material damage during the actual fighting and resulting from the Japanese occupation was enormous. The port of Rangoon itself was very ser-

iously damaged, the railway system was completely dislocated by the loss of rolling stock and the poor condition of the remainder and by the destruction of virtually every important bridge, whilst the inland steamer service which carries a very important part of Burma's trade was without a single vessel.

The oil refinery and pumping plant at the wells was severely damaged; a number of sawmills had been destroyed and all forward stocks of timber consumed, whilst herds of trained elephants essential for lumbering had been dispersed. Barely half the rice-growing land was under cultivation due to the loss of cattle and the sense of insecurity, owing to an enormous growth of dacoity brought about by disturbed conditions and the growth of political feeling. Inflation resulting issued by the Japanese authorities had

from the port of Rangoon which is now able to handle all the exports and imports at present offering, and the railways have re-opened some 1,350 miles of their total track mileage of about 2,000. Road transport has been greatly expanded, and a number of vessels put into service in the inland waterways which can now carry about a third of the pre-war goods traffic. Reconstruction work has been started at the Syrian oil refinery and the timber industry has reached about half its normal output, permitting some export of teak to the United Kingdom and India. The fact that Burma is in the throes of a political as well as economic reorganization means, however, that conditions remain unstable; communications are still far from satisfactory and dacoity is rife. Inevitably agricultural production has been affected; only about 65 per cent. of paddy cultivation was possible in 1946 and the export surplus now seems likely to be no more than 800,000 to 1,000,000 tons. Groundnut acreage was only about 80 per cent. of pre-war and the beans and pulse crop seems unlikely to be more than 30 per cent. of the cost of living up to over four cent. of pre-war.

On liberation immediate relief shipments of consumer goods, including in particular large quantities of textiles, were arranged first by the Army and later by the Burma Supply Organization. This organization controlled the purchases of supplies for the civil population and for the rehabilitation of Government services and the major industries which were financed by Treasury advances. Supplies for the civil population were disposed of through the Civil Supplies Board. The Burma Supply Organization has, however, placed no new orders since August 1946 and except for supplies which are still disposed of only on a Government to Government basis, procurement has reverted to the channel of private trade. The Civil Supplies Board has been wound up and stocks in its possession are being administered by a temporary Department working under the Department of Commerce and Supply. All imports into Burma are subject to control and import licences are granted to cover shipment in the half year to which they relate. At the moment, under Open General Licence No. 1, goods produced or manufactured in the United Kingdom and the British Empire (except Canada and Newfoundland), with the exception of a variety of foodstuffs, beer, cider, certain fertilizers, clover and alfalfa seeds and soap, can be imported freely from any of those territories.

Under the Burma Import Tariff which consists of 324 items, United Kingdom goods enjoy a preferential rate of duty under approximately 100 items and goods from British Colonies under 32 items, but Indian goods are granted preferences over those of all other countries (including the United Kingdom) under 300 items. The favourable treatment accorded to India arises from the fact that prior to

## POST-WAR SITUATION

Great progress has been made in the work of rehabilitation, partly through the activities of Projects Boards set up by the Burma Government in co-operation with the commercial, etc., involved; much debris has been cleared



March 1937, India and Burma constituted a single Customs territory and Indian goods were, therefore, admitted into Burma free of duty (and vice versa). After the separation, Burma set up her own tariff machinery, but under the "India and Burma (Trade Regulation) Order 1937" provision was made for the continuation of the existing free trade between the two countries for a period of at least three years; and when in April 1941 the India/Burma Trade Agreement was concluded, in recognition of the previously close economic relationship between the two countries mutual preferences were granted.

### FUTURE OUTLOOK

In the immediate future Burma is likely to require much in the way of capital, plant and equipment, railway rolling stock, etc. for the restoration of her shattered economy, although the cost will be enormous and certainly far beyond her unaided capacity to meet. As regards consumer goods it should be remembered that two-thirds of her population is engaged in agriculture, with a very low standard of living and represents only a very limited purchasing power. Nevertheless there is likely to be a demand for vast quantities of consumer goods of which Burma has been totally deprived during the war, and subject once again to her capacity to pay, the pre-war demand may be expected to revive on much the same lines.

Any considerable industrial development which might adversely affect the import of consumer goods seems unlikely; reference has already been made to the comparatively undeveloped condition of industry in Burma and development seems likely to continue to be restricted by the practical absence of coal and iron in workable quantities, the difficulties in developing hydro-electric power due to seasonal variations in the stream-flow and the non-existence of the majority of most raw materials (except rubber) on which to base local industries. The major problem which will govern trade with Burma is however, likely to be her ability to pay.

Rehabilitation will call for vast quantities of plant and material, far beyond her capacity to pay by the proceeds of her exports and to this must be added the import of consumer goods required to meet the minimum needs of the population. The United Kingdom has given considerable assistance by way of loans, but it is obvious that Burma will be compelled to adjust her imports to her means of payment, and exports are still far below imports; at the beginning of this year there was understood to be less than one-tenth of imports.

It may be expected that 1947 will see some improvement, but disturbed conditions up-country due to the political situation and the prevalence of dacoity handicap rice-growing and the timber industry, which must be the main Burma exports this year. The

## HONGKONG STOCK & SHARE MARKET

After several weeks of inactivity although at well maintained prices the market firmed up during last week (Sept. 1-5) and showed some improvements in the popular shares. The turnover was still small and there was no real incentive for buyers. The mechanics' strike is still on and, although it appears that settlement is very near, buyers feel not yet inclined to come into the market. There were of course some so-called 'bargain hunters', eager to collect shares from impatient investors but sellers' and buyers' ideas rarely coincided which resulted in rather sleepy sessions at the Exchange. With the return of dockyards, the cement factory etc. to normal working—if and when the strike

will be called off during the second Sept. week—there should again set in a period of general price advance which, however, may be limited to 2 to 3% on the average.

From the accompanying table the quotations for Sept. 2, 5 and 8 will be seen; we have, however, omitted from the list a number of shares since transactions in them rarely occur and price are consequently unchanged. Still some inactive shares have been left on the table; on the whole there are no more than 14 or 15 active shares and it happens that even in these shares sometimes no sales take place during a trading week.

### QUOTATIONS

	Sept. 2	Sept. 5	Sept. 8
H.K. & S. Bank .....	1985	2000	1900
H.K. & S. Bank (Lon. Reg.) .....	£112	111½	110
Chartered Bank .....	£ 11½	11½	11½
Mercantile Bk. A. & B. ....	£ 22½	22	22
Bank of East Asia .....	108	108	109
Caution Ins. ....	380	395	390
Union Ins. ....	800	800	800
China Underwriters .....	5.10	6	6
H.K. Fire Ins. ....	280	280	285
H.K. & K. Wharves .....	210	220	220
H.K. Docks .....	39¾	42¾	43¾
China Providents .....	23	24½	24½
S'hai Dockyards .....	17	17½	16½
H. & S. Hotels .....	23½	24	24½
H.K. Lands .....	80	83	82¾
S'hai Lands .....	3½	3½	5
Humphreys Estates .....	26½	26½	28¼
H.K. Realities .....	17	17½	17½
H.K. Tramways .....	25	25½	26½
Star Ferries .....	131	127	127
Yaumati Ferries .....	29	29	29
C. Lights (Old) .....	19¼	20	20½
C. Lights (New) .....	13.80	14.75	15
H.K. Electrics .....	75	78¾	79
Macao Electrics .....	24¼	24¼	24¼
Telephones (Old) .....	48½	50	48½
Telephones (New) .....	37½	40	39½
Cements .....	32	33½	33½
H.K. Ropes .....	19	18	18½
Dairy Farms .....	82	85	83½
Watsons .....	63½	66	66
Lane, Crawfords .....	51	50½	50
Ewos .....	10	10	10

exportable surplus of rice is now barely expected to reach 1,000,000 tons as compared with the pre-war figures of two to three million tons, whilst the timber industry, whose product usually takes a considerable time to reach Rangoon, seems likely in view of the handicaps under which it works to reach anything approaching pre-war levels. It seems certain therefore that even with the very consider-

able aid given by the United Kingdom, Burma will be faced this year with a payments problem that will certainly require her to watch her imports very carefully. \* \* \*

(THE ABOVE REVIEW HAS BEEN WRITTEN BY HIS MAJESTY'S ACTING SENIOR TRADE COMMISSIONER IN INDIA FOR THE BRITISH BOARD OF TRADE JOURNAL.)



## SHARE PRICE INDEX

Following are the share price index figures for the first eight months of 1947 and the first week of September; the index has been compiled by Mr Felix M. Ellis for twelve representative active shares as listed at the Hongkong Stock Exchange Ltd.

Jan.	2	123.88	Low	12	141.53
	3	123.90		14	142.27
	4	123.86		15	142.04
	6	123.99		16	141.68
	7	124.32		17	141.82
	8	124.73		18	141.28
	9	125.60		19	142.05
	10	125.30		21	143.39
	11	125.85		22	145.34
	13	125.74		23	145.16
	14	125.77		24	145.92
	15	125.91		25	147.02
	16	126.64		26	147.01
	17	126.80		28	146.88
	18	127.31		29	148.80
	20	127.52		30	150.88
	21	127.80		1	155.38
	24	128.14		2	155.31
	25	128.27		3	155.82
	27	128.35		5	155.99
	28	128.52		6	154.30
	29	128.63	High	7	154.17
	30	128.05		8	153.71
	31	128.03		9	153.77
Feb.	1	127.97		10	154.02
	3	127.81		12	153.90
	4	127.88		13	154.04
	5	127.88		14	153.77
	6	127.83	Low	15	145.24
	7	127.99		16	144.59
	8	128.22		17	144.33
	10	128.25		19	144.04
	11	128.11		20	143.76
	12	128.10		21	143.21
	13	128.10		22	140.77
	14	128.04		23	141.78
	15	128.12		27	142.16
	17	128.25		28	142.35
	18	128.26		29	142.32
	19	128.56		30	142.13
	20	128.86		2	142.08
	21	129.14		3	142.12
	22	129.55		4	142.31
	24	129.81		5	143.02
	25	130.05		6	143.48
	26	130.13		9	144.09
	27	131.		10	144.41
	28	131.09	High	11	144.38
Mar.	1	131.90		13	144.59
	3	131.95		16	144.77
	4	132.43		17	144.58
	5	133.20		18	144.16
	6	132.97		19	144.10
	7	132.21		20	144.30
	8	131.87		23	144.12
	10	131.25	Low	24	144.33
	11	131.34		25	144.04
	12	131.55		26	144.38
	13	131.98		27	144.38
	14	132.11		1	144.66
	17	132.45		2	144.65
	18	132.48		3	144.73
	19	132.91		4	145.11
	20	133.70		7	146.02
	21	134.15		8	146.80
	22	134.10		9	148.
	24	134.22		10	148.52
	25	134.14		11	148.41
	26	134.26		14	148.38
	27	134.62		15	148.58
	28	135.28		16	148.67
	29	136.38	High	17	148.84
Apr.	1	137.62	Low	18	148.54
	3	140.21		21	148.99
	8	141.70		22	149.82
	9	141.91		23	150.46
	10	141.14		24	150.78
	11	140.43		25	151.88

	28	152.61	High	19	149.62	
	29	152.15		20	150.33	
	30	151.62		21	149.13	
	31	151.57		22	149.68	
Aug.	1	151.46	High	25	149.63	
-	5	150.91		26	149.72	
	6	150.58		27	149.65	
	7	150.57		28	149.34	
	8	150.24		29	148.42	
	11	149.89		Sept.	1	148.38
	12	149.26			2	148.84
	13	148.73			3	150.16
	14	147.70	Low		4	150.62
	15	148.16			5	150.85
	18	147.90				

The par value of the 12 representative active shares is 100; the approximate current market price of these shares is five times the nominal value.

The highest share price index for January to August 1947 was 155.82 on May 3, the lowest index figure 123.88 on January 2.

Highest and lowest index figures for January: 123.53—123.88; February: 131.09—127.83; March 136.38—131.25; April 150.88—137.62; May 155.82—140.67; June 144.85—142.02; July 152.61—144.60; August 151.46—147.70.

During the first week of September the share price index improved from 148.38 on the 1st, to 150.85 on the 5th Sept.

## BLACK MARKET STOCK TRADING

There are 60 licensed share brokers at the Hongkong Stock Exchange Ltd. who transact business at the trading hall of the Exchange (two sessions every Monday, Tuesday, Thursday, Friday; one session Wednesday; Saturday closed) and in their offices. However, the number of unlicensed or black market share brokers is much larger and while their business in the aggregate is far less than the turnover at the Exchange the activity and scope of this sort of brokers is nevertheless considerable.

The amended Stamp Ordinance, 1947, has taken into consideration the frequent trading in shares by agents and principals directly since this practice has become quite popular here. It is not resorted to by principals to avoid the payment of brokerage which amounts to 1% to be paid generally by the purchaser of shares (although there are instances known when brokers charged commission to both the buyer and seller, while others have repeatedly charged only  $\frac{1}{2}$  or 3% brokerage which is against the rules laid down by the Committee of the Stock Exchange).

The reason for the increasing business of unlicensed brokers is to be found in the eagerness and zeal applied by such agents who belabour prospective clients until they entrust such agents with an order. Unlicensed brokers sometimes maintain well appointed offices, issue unauthorised stock quotations, employ "runners" who visit old or prospective customers and sometimes pretend that they are licensed to do business at the Exchange. Such black market brokers are frequently also jobbers; they are financially

strong, sometimes backed by a native bank with funds, and have developed a system of "clearing" particularly the shares of several utility companies, the stores and the Hotel Co. through the offices of two or three of the larger unlicensed brokerage firms.

## HONGKONG TELEPHONE CO. LTD.

The report of the Directors of the Hongkong Telephone Co., Ltd., for the year ended December 31, 1946, states:

The balance at credit of Profit & Loss Account for the year ended December 31, 1946, and after making provision for payment to Government of Royalties, amounts to \$827,081.

After charging \$153,545 for depreciation and transferring \$155,000 from Dividend Equalisation Reserve there remains the sum of \$828,535 which the Board recommends be appropriated as follows:—

To payment of a dividend of \$1.20 per share on the fully paid-up shares, \$600,000; to payment of a dividend of 30 cents per share on the partly paid-up shares, \$75,000; to Sinking Fund Instalment transferred to Capital Reserve, \$92,577; to Provision for Corporation Profits Tax 1947/1948, \$60,000; to Carry Forward to next account \$958.

## CHARTERED BANK

The Directors of the Chartered Bank of India, Australia and China have declared an interim dividend for the current year of five per cent, actual subject to income tax dividend payable on October 1.

## HONGKONG REALTY &amp; TRUST CO. LTD.

After having sold the last piece of property the Company will be voluntarily wound up at a meeting which is to be held on Sept. 24. Mr. David Lamb Prophet of Messrs Peat, Marwick, Mitchell & Co. will be appointed Liquidator.

## HONGKONG ELECTRIC CO. LTD.

At an extraordinary meeting of the Company on Sept. 11 the Authorised Capital and the Issued Capital of the Company will be increased as follows:—

The Authorised Capital from the present \$18 million (divided into 1.8 million shares of nominal \$10 each) to \$50 million by the creation of 3.2 million additional shares of the nominal value of \$10 each. All additional shares rank in all respects pari passu with the original capital of the Company.

The Issued Capital of \$15 million (divided into 1½ million shares of nominal value of \$10 each) to be increased by the additional issue of 300,000 shares, being the present unissued capital, and a further 300,000 shares, being new shares, all of the nominal value of \$10, to the total paid up amount of \$21 million.

The new shares will have to be paid up on or before Nov. 30, 1947, at the rate of two new shares for every issued five shares. All new shares rank for dividend as from Oct. 1, 1947.



### AMENDED STAMP ORDINANCE FOR STOCK & SHARE TRANSACTIONS

The Stamp Ordinance, 1921, has been amended last week for the purpose of ensuring an adequate amount of revenue for the Treasury from transactions in stocks and shares. The amended stamp duty amounts to one per mille only in case of non-transfer of shares while \$5 are charged when transfer deeds are required.

The object of the Stamp (Amendment) Ordinance, 1947, is to provide a more effective means of collecting the stamp duties payable on stock exchange transactions. Previously an *ad valorem* duty of 20 cents per \$100 was chargeable on instruments of transfer and a nominal duty, varying from \$1 to \$10, on brokers' bought and sold notes. In practice the *ad valorem* duty yielded only a small amount of revenue owing to the custom which has grown up in the Colony of executing blank transfers and using these instruments to pass title through a series of buyers and sellers instead of executing a fresh instrument of transfer on the occasion of each sale. As a result stamp duty has been collected only at the initial stage when the blank transfer is executed, and thereafter, all subsequent transfers in the series escaped duty. Brokers' "bought notes" and "sold notes," on the other hand, are stamped when each sale in the series takes place as it is necessary for the broker, in his own interests, to ensure that a properly executed contract note comes into existence to record the terms of the sale but as the amount of duty payable on these bought and sold notes is only nominal the additional yield to the revenue under this head was comparatively small.

Government correctly considered that if the duties on the two instruments are reversed so that *ad valorem* duty is chargeable on brokers' notes and nominal duty on transfer deeds, there will be a considerable improvement in the total revenue derived from Stock Exchange transactions. By repealing the existing taxing provisions in the principal Ordinance and replacing them by new provisions which impose an *ad valorem* duty of 10 cents per \$100 on bought and sold notes and a nominal duty of \$5 on transfers, revenue is bound to increase.

In case where no broker is involved, there was previously no provision requiring the execution of contract notes; in order to enable the collection of *ad valorem* duty on such transactions the amended Stamp Law provides for the execution of contract notes also in cases where no broker is involved by extending the obligation of a principal to execute contract notes irrespective of whether or not he is a dealer in shares by way of business.

### RECONSTRUCTION OF RECORDS OF HONG KONG COMPANIES

Last week the Companies (Reconstruction of Records) Ordinance, 1947, was passed by Legislative Council; this Ordinance is construed and takes effect as one with the Companies Ordinance, 1932. The purpose of the new Ordinance is to relieve Hongkong and ex-China Companies against their inability or failure since December 8, 1941, to comply with the Companies Ordinance, 1932, to provide for the making of necessary returns by such companies; to provide a means whereby companies can remedy the loss of registers, records and documents and for other connected matters.

During the Japanese occupation of the Colony, the files kept by the Registrar of Companies in Hong Kong under the Companies Ordinance, 1932, in respect of individual companies were lost or destroyed. In consequence, information in the form of memoranda and articles of association, annual returns, etc., contained in the files is no longer available either to the Registrar or to the public. The Register of Charges is however intact.

Apart from the loss suffered by the public records, many companies have lost all copies of their memorandum and articles of association and some companies have lost the register of members which determines who are the persons entitled to shares in the company and to the rights of shareholders. Further, as a consequence of the position created by the invasion of the Colony, and subsequent internment or imprisonment of many and the necessity of others to flee the Colony, share certificates have also been lost.

The Japanese carried out an enquiry as to whether or not companies in Hong Kong were inimical to Japan and after this enquiry permitted approximately 250 companies of the 1,027 originally registered to register and continue trading under a Japanese Registry of Companies established in May, 1944. The assets of companies considered inimical were, in a somewhat haphazard manner, seized, utilised or farmed out to syndicates. Even those companies who were eventually permitted to register were hampered in their operation and compliance with the law by reason of a veto on meetings which effectually prevented the holding of any general meeting of companies. Imprisonment, internment, death or absence also affected the directorate of companies.

#### China Companies, Shanghai

The difficulties created by the loss of share certificates and by the prohibition of meetings also affected China companies as well as companies registered with the Registrar of Companies in this Colony but fortunately the records of the registrar at Shanghai were preserved. Many China companies have since availed themselves of the

provisions of Proclamation No. 27 (Emergency Registration of China Companies) and registered in Hong Kong.

Since the liberation, companies have recommenced or continued their business and endeavoured to return to normal and to comply, so far as is possible, with the law. Legislation was however, necessary to enable companies to operate without breach of the law. It was also expedient to enact legislation which will gradually bring companies back to compliance with normal legal requirements without, at the same time, unduly hampering the continuance of business.

#### Lost Share Certificates

Secretaries of Companies will, so far as it has not already been done, supply the Registrar of Companies with all necessary particulars, documents etc. which should not cause them any inconvenience. The loss of registers of members has only been reported in four cases the reconstruction of which may prove of some difficulty.

The most important part of the new Ordinance as far as the common shareholders are concerned provides for the reconstruction of lost share certificates. Difficulty resulting from the loss of share certificates is aggravated by a local practice of transfer in blank and the failure of transferees to register transfers. Registration is normally dependent on production of the share certificates and as companies become estopped in law from denying that person to whom a share certificate has been granted is the registered proprietor, they refuse to grant a new certificate except on an indemnity guaranteed by a bank. This is practically impossible to obtain in present circumstances.

The problem has now been cured by legislation and there is no longer danger that a number of persons will be permanently deprived of their rights. The Ordinance provides a solution by enabling new certificates to be issued if no conflicting claims are received by persons claiming under the certificates which are alleged to be lost and by precluding persons who do not come forward within three months after advertisement from claiming against the company or against a bona fide purchaser for value without notice from the person to whom a new certificate is granted. Unless this latter provision is made such shares would tend, for a long time in the future, to be sold at a discount. Because nearly two years have elapsed since the liberation of the Colony, whoever might be in possession of the old certificate has had ample time to apply to be registered as the proprietor of the shares. The Ordinance, however, preserves his rights against the person to whom a new certificate is granted.



## HONGKONG COMPANY REPORTS

### HONG KONG & SHANGHAI HOTELS, LTD.

At the annual meeting of the Company for the year 1946, held on August 12, the Chairman (Mr. L. Kadoorie) gave the following account of the affairs of the Hongkong and Shanghai Hotels.

The year under review was a difficult and trying one both here and in Shanghai. In Hongkong our establishments were under requisition until mid-June and with their return to our control it was essential to undertake many major renovations in order to restore portions of the premises to their former state and to make them revenue producing. This work took much time over a period when material and labour costs were probably at their highest, but particularly in the case of the Hongkong Hotel which was fully opened to the public in the course of October last, the resulting revenue justified the policy pursued.

The greater part of the accommodation of the Palace Hotel, Shanghai, was vacated by the U.S. Navy in October, 1946, when it was found essential to renovate almost all the bedrooms.

These circumstances naturally militated against our receiving the benefits which would have accrued from normal and continuous operation.

The Astor House Hotel was vacated by the U.S. Army in July, 1946, subsequent to which the premises were leased for a period of five years on terms which provided for the Lessees to undertake their reconditioning.

Additional to the sum of \$2,717,479 for repairs allocated in 1946, a further outlay of some \$800,000 has been incurred to date during the current year and this by no means ends the programme for much still remains to be done. The completion of the reparations programme will mean considerable additional expenditure, even if extended over a long period, and will not necessarily be productive of increased revenue. We have no alternative but to restore our Hotels gradually to their former first class condition.

The housing shortage naturally entails our accommodation being taxed to the uttermost daily, and the immense increase in air travel arrivals in the Colony adds to the difficulties of endeavouring to satisfy demands for rooms. With a view primarily to meeting the latter requirements it was decided to convert the sixth floor restaurant and ballroom space at the Peninsula Hotel into bedrooms and forty-one such rooms were constructed and furnished, being opened to the public in June last. The cost of this conversion and contents approximated \$725,000.

A few months ago your Board accepted an offer for the sale to the Company of the Repulse Bay "Lido" at the price of \$750,000 and this property is now owned and operated by your Company.

Early in the year negotiations were entered into for the sale of the Palace

Hotel, Shanghai, and the finalising of the transaction is now due for the end of October next.

We are unable to present a balance sheet of our subsidiary Company, the Grand Hotel des Wagons-Lits, Ltd. This Company was originally a China Company, but later, on the transference of the management to Hongkong, became a Hongkong China Company. The capital of the Company, however, is in CN Dollars and its accounts have always been drawn up in that currency.

In view of the continual depreciation of the value of the CN Dollar, the Directors of the Company consider it would only be misleading to continue to draw up accounts in that currency and, therefore, no accounts have yet been prepared for submission to a meeting of the Company for the purpose of declaring a dividend.

The subsidiary Company is in a relatively strong position; the Hotel in Peiping has experienced good business since the end of the War.

The proposed dividend has been made possible only by virtue of the profit arising from the sale of the property and goodwill of the Garage Department, the proceeds of which enabled the Company to embark upon its rehabilitation programme without recourse to overdraft facilities.

The current year so far has been marked by consistent business, but the lavish spending of last year is a thing of the past. The exuberance engendered by the cessation of hostilities and the restart of trading in favourable circumstances, is now going through a sobering process.

### Accounts

The credit balance shown in the Accounts of \$1,472,582 has been transferred to the Profit and Loss Appropriation Account. This credit balance, together with \$913,724 brought forward from the previous year and the profit of \$1,630,046 realised on the sale of the Stubbs Road Garage and Goodwill of the Garage and Motor Department, brings the total for appropriation up to \$4,016,352. Debited against this is the sum of \$2,717,479, repatriation expenses incurred during the course of last year, leaving the balance of \$1,298,873 from which a dividend of \$1 per share has been paid, carrying forward the remaining balance of \$105,006 to New Account.

Apart from the re-grouping of the Assets on the balance sheet the only material change is in respect of the sale of the Stubbs Road Garage Property. Under "Current Assets" large comparative increases are recorded in Stocks and Sundry Debtors, etc., principally reflective of the large revenue turnover in the latter months of the past year.

War Losses show an increase of \$137,378 representing in the main claims paid in respect of distressed cargoes, the principal item relating to

a shipment of trucks discharged at Rangoon in December, 1941, and for which a counter-claim has been lodged with the Port Authorities there.

Trade creditors are at a high level and take into account many major payments which were effected early in the current year; they also are indicative of the abnormally high Restaurant revenue experienced at the end of last year.

Most unusual for Hongkong Company meetings, a strong attack on the policy and management of the Board was made by Mr. A. Hillaly who, after strong expression of dissatisfaction on the part of many shareholders, stated:

The fixed assets of the Company are set at about \$3,000,000. The sale of the Palace Hotel, when the transaction is completed, will bring in 5½ millions. One cannot believe that the fixed assets, less the Palace Hotel, are only worth considerably under 7 millions. These fixed assets should be revalued. It is necessary that there should be a re-valuation by an expert, before the Directors can come to the conclusion that the existing value of the fixed assets is several times more than the 1936 valuation. In such circumstances, why was it thought desirable or necessary that the \$2,700,000 for repatriations for 1946 should be charged to the Profit and Loss Account? Indeed, I would like to know why this sum has not been charged to the Capital Account. Have the Directors obtained expert advice that this item has been properly charged to Profit and Loss Account? When the Company is able at last to pay a dividend the shareholders are deprived of their just and overdue return by a decision made by the Directors such as they have made in appropriating the \$2,700,000 to Profit and Loss Account.

If the Company has not enough reserve to pay a higher dividend in cash as the accounts show, why not pay the shareholders by way of dividend bonus shares, to compensate them for the lean years that the shareholders have experienced?

I would also refer to the other question of the Capital of the Company. Having regard to the existing values of the Company's assets, it is clear that the Company is and has been under capitalised. I therefore propose that the Directors should forthwith obtain revaluation of the fixed assets of the Company, and upon completion thereof, distribute bonus shares to the members of the Company.

### DOUGLAS STEAMSHIP CO. LTD.

At the first post-war annual meeting of the Company on August 2 the Chairman (Mr. S. T. Williamson) reviewed the activities of Douglas S.S. Co. Ltd.

The Accounts were divided into two parts, the first one dealing with work-



ing for the year 1941, and the next part covering the period from Jan. 1, 1942 to December 31, 1946.

1941: Nett balance of steamers' working is \$744,518. After taking into account dividends and interest amounting to \$65,910, and deducting General Managers' remuneration etc., the balance carried to Profit & Loss Appropriation Account, amounts to \$796,428. To this added the balance from 1940 \$202,595, thus the balance carried forward to Profit & Loss Appropriation Account for 1946 amounts to \$999,023.

The Balance Sheet for 1941 takes into account the loss of the s.s. "Seistan" and War Losses of \$41,500 incurred on the Coast where certain of the company's moorings etc. were removed by the Japanese.

A tonnage replacement reserve has been created out of certain funds received from the Underwriters in respect of the loss of the "Seistan."

Sundry Creditors amounted to \$371,560 the major portion of which has been paid.

The Profit & Loss Appropriation Account for 1946 shows a balance of profit for the period 1942 to 1946 amounting to \$412,535. This represents hire paid by the Ministry of War Transport in respect of the three remaining vessels of the Company, less certain agency expenses etc.

Steamers' working for 1946 shows a nett balance of \$880,664. Dividends and interest amount to \$33,482 and the balance carried to Profit & Loss Appropriation Account amounts to \$897,887.

The balance available for appropriation amounts to \$2,267,946.

The balance sheet as at December 31, 1946 takes into account the loss of the "Haiching" and also the amount spent on rehabilitation of the Douglas Wharf.

The value of the Company's investments now stands at \$1,545,852 and this has again increased considerably since the date of the Balance Sheet.

Sundry debtors amount to \$1,394,913 of which \$800,000 have already been collected; of the balance, over 50% is in respect of the requisition of the fleet; final agreement in this regard has yet to be reached.

Sundry creditors amounting to \$402,487 have in the main been settled.

## THE HONGKONG & KOWLOON WHARF & GODOWN CO. LTD.

At the annual meeting of the Company's shareholders on August 7, the Chairman (Hon. D. F. Landale) outlined the position of the company as follows:—

During the year 1946, we handled a total of 434 vessels which discharged 767,000 tons of cargo to our premises. Although the number of vessels is considerably less than pre-war figures, the tonnage handled compares very favourably having in mind world-wide post-war conditions. For the first six months of this year, the figures are 299 vessels, landing 328,000 tons of cargo. Throughout the year a steady improvement in the rate of discharge has been effected, and on several occasions recently we have attained pre-war rates of discharge in spite of operational difficulties. Our average discharge

figures are considerably better than those prevailing in most other ports.

Storage earnings during 1946 were satisfactory, and so far this year our storage godowns have been well filled. Earnings from our lighter fleet are also being well maintained.

### The Fleet

At the time of our annual meeting last year, the fleet stood at 45 lighters only out of our pre-war fleet of 120 craft. By recovery from Canton, local salvage, and purchase of new craft, we have now increased this number to 71, with a total capacity of 7,000 tons of cargo in one lift.

The whole fleet has been reconditioned, and is now in first class order. This, of course, has entailed considerable expenditure, and up-keep costs are still exceptionally high. It is obviously, however, that this important part of the port facilities must be maintained at maximum possible efficiency, and the effect has been well employed to date.

Our fleet of launches has also been re-habilitated. Two of our old launches, are still unaccounted for, but we were fortunate in recovering two of our latest motor launches, together with our large steam launch from Canton. These boats, together with the one motor launch recovered in Hongkong, have all been reconditioned and are in service. A new diesel-engined launch and a new harbour motor-boat were acquired.

### Thefts of Cargo

In common with all parts of the world where cargo is handled, Hongkong suffered badly during 1946 from organised cargo thefts. Through the concerted efforts of all concerned with the operation of the port, and the active co-operation of the Hongkong Police, a very considerable improvement in the situation has been effected, and the incidence of these thefts reduced to a minimum. Reports received from other ports indicate that we have succeeded in establishing far more effective control in this respect than in other Far Eastern ports.

This Company, of course suffered with the rest of the Colony from the activities of these cargo thieves. The gangs are well organised, and constant and unrelaxing vigilance is still necessary. Our Wharf Police Force has been reorganised under trained European Officers, and now consists of eight European and 106 native police, supplemented by special watchmen, and a force of private detectives.

### Accounts

The Accounts presented at our last Annual Meeting showed no revenue for the period September 1 to December 31, 1945, as the Company's premises were at that time being operated on Government Account. Negotiations were proceeding for a financial settlement in respect of this period. The same position existed throughout the first three months of 1947, and as a result of lengthy negotiations with Government, a mutually satisfactory settlement was finally reached. In accordance with the terms of the settlement all revenue and expenditure since the re-occupation of the Colony has been brought into the Company's books; the balance of Working Account carried to Profit and Loss Account, therefore, actually covers a period of sixteen months.

In the Profit and Loss Appropriation Account provision has been made for a dividend of \$8 per share, which is slightly

higher than the average for the ten years prior to hostilities, and your Board have thought it advisable to transfer \$1,200,000 to General Reserve and \$288,000 to General Contingencies Account.

The Repairs and Renewals Account has been liquidated by transfer to General Contingencies Account which now stands at \$500,000. Provision for General Contingencies is preferable to an account confined to repairs and renewals.

Under war damages, expenditure up to the end of 1946 was approximately one third of the total estimated rehabilitation cost. This estimated cost, however, as shown in the 1945 balance sheet, was based on the only figures available at that time, and all expenditure to date has been far in excess of the estimates. There is no doubt that the total cost of rehabilitation of our property will far exceed the estimated figure. Actual expenditure to date on rehabilitation and reconstruction is nearly -2,500,000, and much still remains to be done.

Current Liabilities, consist mainly of bank overdrafts, that in respect of the Current Account being all Rehabilitation and Reconstruction Costs. Our fixed assets have been written down in accordance with our usual scale of depreciation, and the figures shown bear no relation to the actual present-day value of these assets.

### Extraordinary Meeting

Our present Bank Liabilities amount to approximately \$3,350,000, including the frozen 1941 account, but not including interest thereon, for which provision must be made. Existing commitments for the rehabilitation and reconstruction total \$1,500,000 while the estimated expenditure necessary for Wharf reconstruction is just under \$4,000,000.

The actual position is that approximately \$5,000,000 is required to cover existing liabilities and commitments, and a further \$4,000,000 in respect of the reconstruction programme scheduled for completion by the end of 1948. No provision is made in these figures for rebuilding of godowns, the reinstatement of our lighter fleet to its pre-war tonnage, or other development which is inevitable in the next few years. We cannot rely on payment of reparations for war damages, and the necessity for fresh capital is therefore obvious.

At an extraordinary general meeting of the Company held on March 7, 1935, the authorised capital of the Company was increased from \$4,000,000 to \$8,000,000 of which \$4,500,000 was issued. Your Board are strongly of the opinion that an authorised capital of \$8,000,000 is unduly low in relation to the actual value of the Company's fixed assets, and your Board decided that the proposed increase should be adequate to meet all future eventualities.

The first of the Resolutions to issue a further 20,000 shares, making in all a total new issue of 90,000 shares, which would double the issued capital of the Company, and to issue these shares at a premium which would cover the capital requirements increases the authorised capital to \$50,000,000, a sum more in keeping with the Company's assets and operations.

Directors:—Hon. D. F. Landale (Chairman), Hon. M. K. Lo, Messrs H. D. Benham, N. O. C. Marsh, L. Kadoorie, A. C. Offenber, T. B. Wilson, A. H. Penn.